



SF 455 – School Equity (LSB1478SV)

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Fiscal Note Version – New

Description

[Senate File 455](#) has two divisions, both dealing with the school aid formula. The first division sets out a 10-year plan to bring the district cost per pupil to the same level for every school district across the State. The second division creates a transportation weighting that will roll in to the school aid formula between FY 2018 and FY 2027. Both divisions will be fully implemented in FY 2027.

The first division of the Bill proposes a 10-year plan to adjust each district’s district cost per pupil (DCPP) until it reaches the maximum district cost per pupil. Currently, there is a maximum disparity of \$175 per student between school districts. Under the Bill, in FY 2018, the State cost per pupil will be adjusted by \$5 per student, resulting in a State cost per pupil (SCPP) of \$6,669 per student, and increasing the Property Tax Relief Payment (PTRP) to \$84 per student. In FY 2019, the State supplemental aid rate is assumed to be 0.0%, and the PTRP is fixed at \$84 per student; the State cost per pupil will be adjusted by an additional \$10, bringing the SCPP to \$6,679 per student. Every year after that, \$20 is added to the SCPP until all districts are equalized in FY 2027. **Table 1** below reflects the proposed adjustments.

| | State Cost Per Pupil (SCPP) | Adjust- ment | District Cost Per Pupil (DCPP) Disparity | Number of Districts at SCPP |
|----------|--|-------------------------|---|--|
| FY 2017 | \$ 6,591 | \$ - | \$ 175 | 162 |
| FY 2018* | 6,664 | - | 175 | 162 |
| FY 2018 | 6,669 | 5 | 170 | 172 |
| FY 2019 | 6,679 | 10 | 160 | 194 |
| FY 2020 | 6,699 | 20 | 140 | 227 |
| FY 2021 | 6,719 | 20 | 120 | 255 |
| FY 2022 | 6,739 | 20 | 100 | 282 |
| FY 2023 | 6,759 | 20 | 80 | 295 |
| FY 2024 | 6,779 | 20 | 60 | 306 |
| FY 2025 | 6,799 | 20 | 40 | 319 |
| FY 2026 | 6,819 | 20 | 20 | 321 |
| FY 2027 | 6,839 | 20 | 0 | 333 |

Note: Initial FY 2018 SCPP is based on supplemental State aid rate of 1.11%

The second division of the Bill generates a transportation weighting to be included in a school district's weighted enrollment using three factors:

- Transportation cost factor – Created out of a ratio of each school district's transportation cost per student required to be transported under Iowa Code chapter [285](#), as compared to the statewide cost of transportation per student required to be transported under the same Iowa Code chapter (90% weighting).
- Enrollment factor – Created out of the ratio of a school district's enrollment to the statewide enrollment (5% weighting).
- Route miles factor – Created out of the ratio of each school district's route miles for the transportation of students required under Iowa Code chapter [285](#), as compared to the statewide route miles (5% weighting).

These three factors combine to create an additional number of student weightings to be included in the district's weighted enrollment for the purpose of the school aid formula, generating State aid and property tax levying authority. See **Attachment B** for the complete equations for the three factors.

The Bill requires that the transportation cost factor be calculated based on the cost of transporting students required by Iowa Code chapter [285](#), less the costs that are paid by the district out of the Physical Plant and Equipment Levy or SAVE funds. However, the current Annual Transportation Report (ATR), as compiled by the Department of Education each fall for the preceding year, does not include this information. The Department reports that it will have to rewrite the ATR application in order to collect this data, and to incorporate checks to help ensure the accuracy of reporting. The Bill specifies that until FY 2020, the Department of Management may consult with the Legislative Services Agency and the Department of Education to determine modified methodologies to determine the best calculation of the transportation cost factor.

Background

District Cost Per Pupil Equalization

Division I of the Bill deals with the discrepancy between the State cost per pupil and the district cost per pupil within the State school aid formula. When calculating State aid to schools, the cost per pupil and the district's budget enrollment are two of the primary driving factors that affect the total income for schools. In FY 2017, the State cost per pupil was \$6,591 per student, which was used to determine the State aid foundation level (87.5% of the State cost per pupil, or \$5,767), and the PTRP (\$74 per student). The State foundation level is the level of aid the State pays into the cost per pupil after the uniform levy is calculated, which varies by school district depending on their taxable property valuation.

The rest of the State cost per pupil (\$750 per student after the PTRP) is raised through property taxes, often referred to as the second effort. Districts with a higher district cost per pupil have the taxing authority to levy up to an additional \$175 per student, depending on the district's district cost per pupil. This inconsistency is a relic of the origination of the school aid formula, when the State cost per pupil was set at the statewide average of spending per student, bringing all districts below that level up to the statewide average, but not requiring districts spending more to reduce spending per student.

Transportation Weighting

Division II of the Bill deals with the disparity in school district transportation costs across the State by providing calculation-generated student weights to a school district's weighted enrollment. Cost per pupil transported varies significantly between school districts, with some districts spending upward of \$1,000 per enrolled student, while other districts spend as little as \$40 per student. Most transportation costs are paid out of the district's general fund. This Bill

generates transportation cost associated weightings, so that school districts receive more State aid and property tax levying authority to offset the costs to the district's general fund of transporting students.

Assumptions

This model:

- Fixes transportation costs and budget enrollment at the FY 2017 base year and rolls out the current calculated weights at an additional 10.0% each year starting in FY 2018.
- Fixes the PTRP at the FY 2018 level - \$84 per student upon enactment.
- Assumes supplemental state aid is 0.0% for FY 2019 and beyond.
- Assumes no district consolidation.
- Uses transportation weight calculations that assume the increase in the State cost per pupil as laid out in the first division of the Bill.
- Uses transportation weight calculations that assume a direct 10.0% increase in transportation weights, without further adjustments to the calculation of weighting.

Fiscal Impact

Upon enactment of SF 455, the FY 2018 SPP will be \$6,669 per student, raising the floor of the State cost per pupil by \$5 and lowering the maximum disparity between State cost per pupil and district cost per pupil to \$170 per student. The State aid foundation level will be \$5,835 per student, resulting in the PTRP gaining \$1 from the previously estimated \$83 per student to \$84 per student. Additionally, the \$5 per student that districts over the State cost per pupil were levying for via property taxes will be picked up in State aid and redistributed between State aid and property taxes.

Under this Bill, districts will begin receiving transportation weighting in FY 2018 at 10.0% of the total generated weights, resulting in an estimated 1,901 weights. The amount of the weighting is phased in over 10 years. This will generate an estimated \$12.68 million in funding for schools in the first year, and a total of \$130 million over the 10-year period. Assuming an 87.5% State aid foundation level, and \$84 per weight PTRP, this will increase State aid to schools by an estimated \$11.26 million in the first year with the remaining funds being generated by property taxes. This total includes the increase in the State cost per pupil under the first division of the Bill. Further information is attached. **Attachment A** shows the estimated impact of SF 455 on State aid to schools and local property taxes.

The Department of Education also estimates an additional need of 0.5 FTE (\$52,759) in FY 2018 in order to rewrite the Annual Transportation Report to collect the school district transportation costs data as required under this Bill.

Sources

Department of Management, School Aid file
Department of Education, Annual Transportation Report
LSA analysis and calculations

/s/ Holly M. Lyons

March 6, 2017

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.

SF 455 – 10-Year Projection District Cost Per Pupil Equalization & Transportation Weights

| | District Cost Per Pupil | | | | Weights Generated | Transportation Weights | | | | State Aid Increase | Property Tax Change | |
|---------------------|-------------------------|------------------------|---------------------------|--|----------------------|--------------------------------------|------------------------|---------------------------|-----------------------|----------------------|---------------------|--|
| | New State Aid | Property Tax Change | New Spending Authority | State Aid Increase (With Preschool) | | State Aid Increase (With PTRP) | Property Tax Change | New Spending Authority | | | | |
| FY 2018 | \$ 2,815,730 | \$ -1,229,341 | \$ 1,586,389 | \$ 2,871,818 | 1,902 | \$ 11,258,793 | \$ 1,425,805 | \$ 12,684,598 | \$ 14,130,611 | \$ 196,464 | FY 2018 | |
| FY 2019 | 5,068,344 | -1,612,583 | 3,455,761 | 5,180,519 | 3,804 | 11,291,735 | 1,430,516 | 12,722,251 | 16,472,254 | -182,067 | FY 2019 | |
| Total Change | 7,884,074 | -2,841,924 | 5,042,150 | 8,052,337 | | 22,550,528 | 2,856,321 | 25,406,849 | 30,602,865 | 14,397 | Total Change | |
| FY 2020 | 10,136,670 | -2,352,850 | 7,783,820 | 10,361,020 | 5,706 | 11,375,636 | 1,442,491 | 12,818,127 | 21,736,656 | -910,359 | FY 2020 | |
| Total Change | 18,020,744 | -5,194,774 | 12,825,970 | 18,413,357 | | 33,926,164 | 4,298,812 | 38,224,976 | 52,339,521 | -895,962 | Total Change | |
| FY 2021 | 9,573,518 | -1,038,402 | 8,535,116 | 9,797,868 | 7,608 | 11,441,863 | 1,451,958 | 12,893,821 | 21,239,731 | 413,556 | FY 2021 | |
| Total Change | 27,594,262 | -6,233,176 | 21,361,086 | 28,211,225 | | 45,368,027 | 5,750,770 | 51,118,797 | 73,579,252 | -482,406 | Total Change | |
| FY 2022 | 10,136,664 | -695,674 | 9,440,990 | 10,136,664 | 9,510 | 11,508,434 | 1,461,468 | 12,969,902 | 21,645,098 | 765,794 | FY 2022 | |
| Total Change | 37,730,926 | -6,928,850 | 30,802,076 | 38,347,889 | | 56,876,461 | 7,212,237 | 64,088,699 | 95,224,350 | 283,387 | Total Change | |
| FY 2023 | 9,573,533 | 995,701 | 10,569,234 | 9,797,883 | 11,412 | 11,575,005 | 1,470,978 | 13,045,983 | 21,372,888 | 2,466,679 | FY 2023 | |
| Total Change | 47,304,459 | -5,933,149 | 41,371,310 | 48,145,772 | | 68,451,466 | 8,683,215 | 77,134,681 | 116,597,238 | 2,750,066 | Total Change | |
| FY 2024 | 9,573,524 | 672,737 | 10,995,977 | 10,361,008 | 13,314 | 11,408,578 | 1,447,203 | 12,855,780 | 21,769,586 | 2,119,940 | FY 2024 | |
| Total Change | 56,877,983 | -5,260,412 | 52,367,287 | 58,506,780 | | 79,860,044 | 10,130,418 | 89,990,462 | 138,366,823 | 4,870,006 | Total Change | |
| FY 2025 | 9,573,524 | 1,422,453 | 10,995,977 | 9,797,874 | 15,216 | 11,941,144 | 1,523,283 | 13,464,428 | 21,739,018 | 2,945,736 | FY 2025 | |
| Total Change | 66,451,507 | -3,837,959 | 63,363,264 | 68,304,654 | | 91,801,188 | 11,653,701 | 103,454,889 | 160,105,842 | 7,815,742 | Total Change | |
| FY 2026 | 10,136,668 | 1,037,627 | 11,174,295 | 10,361,018 | 17,118 | 11,774,717 | 1,499,508 | 13,274,225 | 22,135,735 | 2,537,135 | FY 2026 | |
| Total Change | 76,588,175 | -2,800,332 | 74,537,559 | 78,665,672 | | 103,575,906 | 13,153,209 | 116,729,115 | 182,241,577 | 10,352,877 | Total Change | |
| FY 2027 | 9,573,518 | 1,624,924 | 11,198,442 | 9,797,868 | 19,020 | 11,841,288 | 1,509,018 | 13,350,306 | 21,639,156 | 3,133,942 | FY 2027 | |
| Total Change | \$ 86,161,693 | \$ (1,175,408) | \$ 85,736,001 | \$ 88,463,540 | | \$ 115,417,194 | \$ 14,662,228 | \$ 130,079,421 | \$ 203,880,733 | \$ 13,486,820 | Total Change | |

Note:

Does not account for Budget Adjustment. FY 2018 estimated Budget Adjustment is estimated to decrease by \$708,000, further decreasing decreasing total property tax obligation.

SF 455 – Division II
Calculation of Transportation Weighting

Transportation Weighting - FY 2018 Budget Year FY 2017 Base Year

Transportation Cost Weights

| | |
|--|---|
| Sum of Transportation Costs | A= (Sum(FY 2014, FY 2015, FY 2016) Transportation Costs) - (Sum (FY 2014, FY 2015, FY 2016) Depreciation) |
| | A'= Statewide Sum of A |
| | A.1= Most Recent Fiscal Year Transportation Costs |
| Sum of Regular Program District Costs | B= (Sum(FY 2014, FY 2015, FY 2016) Regular Program District Costs) |
| Ratio of Transportation Costs to Regular Program Costs | A/B= M |
| | M* Budget enrollment= C |
| District's Cost Per Student Transported as Compared to Statewide Sum | C/C'= D |
| | D*(.9"A.1")=E |
| <i>Transportation Cost Weights</i> | E/ SCPPbaseyear= F |

Budget Enrollment Weights

| | |
|---|--|
| Ratio of Budget Enrollment to State Enrollment Multiplied by 5% of Statewide Sum of Most Recent Year's Transportation Costs | [(budget enrollment/Statewide budget enrollment)]* (.05" A.1 ")= G |
| <i>Budget Enrollment Weights</i> | G/SCCby=L |

Route Miles Weights

| | |
|--|-----------------------------------|
| Ratio of Route Miles by Number of Students in School | Route miles/budget enrollment = H |
| Ratio of H to Statewide sum of H | H/H'= I |
| | I*(.05" A' ")= J |
| <i>Route Miles Weights</i> | J/SCPPbaseyear=K |