



HF 2230 – School Foundation Program Funding (LSB6154HV)
Analyst: Jocelyn Gerrietts (515.238.2833) jocie.gerrietts@legis.iowa.gov
Fiscal Note Version – New

Description

[House File 2230](#) relates to the State School Foundation Program by establishing the State percent of growth and the categorical State percent of growth for the budget year beginning July 1, 2018 (FY 2019).

[House File 2230](#) has three provisions with a fiscal impact:

- 1.0% State percent of growth rate to be applied to the State cost per pupil for FY 2019.
- 1.0% State percent of growth rate to be applied to each of the State categorical cost per pupil amounts for FY 2019.
- 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 2019. The Bill requires the additional levy portion of the FY 2019 State cost per pupil amount to be frozen at \$750 per pupil, regardless of the per pupil increase for FY 2019. Without enactment of this provision, the increase in the FY 2019 State cost per pupil due to the State percent of growth will include a per pupil property tax increase equivalent to 1/8th (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 tax. 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 2018 State cost per pupil funding levels that will be increased by a 1.0% State percent of growth for FY 2019. The following table provides the supplemental State aid amounts (also referred to as per pupil growth amounts) and State cost per pupil amounts for FY 2019 based on a 1.0% growth rate. The supplemental State aid amounts will be applied to all corresponding district and AEA cost per pupil amounts.

	FY 2019 State Cost Per Pupil Calculations			
	FY 2018 State Cost Per Pupil	FY 2019 State Percent of Growth	Supplemental State Aid	FY 2019 State Cost Per Pupil
Regular Program	\$ 6,664	1.0%	\$ 67	\$ 6,731
Special Education Program	6,664	1.0%	67	6,731
AEA Special Education Services	292.60	1.0%	2.93	295.53
AEA Media Services	54.55	1.0%	0.55	55.10
AEA Education Services	60.20	1.0%	0.60	60.80

In addition to the State percent of growth and supplemental State aid for FY 2019, 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 2019 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) will be increased by a 1.0% State percent of growth for FY 2019. The following table provides the per pupil growth amounts and State cost per pupil amounts for FY 2019 based on HF 2230.

FY 2019 State Cost Per Pupil Calculations				
	FY 2018 State Cost Per Pupil	FY 2019 State Percent of Growth	Supplemental State Aid	FY 2019 State Cost Per Pupil
Teacher Salary - Districts	\$ 574.27	1.0%	\$5.74	\$ 580.01
Professional Development - Districts	65.04	1.0%	0.65	65.69
Early Intervention	70.82	1.0%	0.71	71.53
Teacher Leadership and Compensation	323.27	1.0%	3.23	326.50
Teacher Salary - AEA's	30.05	1.0%	0.30	30.35
Professional Development - AEA's	3.51	1.0%	0.04	3.55

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.

FY 2019 Property Tax Replacement Payment Calculation			
	FY 2018	Increase Due To Supplemental State Aid Rate	FY 2019
Regular Program	\$ 6,664	\$ 67	\$ 6,731
87.5% Foundation Level	833	8	841
PRTP Amount	83	8	91
Fixed Additional Levy Portion	750		750

Property Tax Replacement Payment (PTRP). The enactment of [HF 215](#) (2013 Education Reform Act) 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 \$83 per pupil in FY 2018. The continual growth is a result of this provision requiring that the per pupil property tax relief of previous fiscal years to carry forward in future fiscal years. Enactment of [HF 2230](#) will maintain a freeze of the additional levy portion of the State cost per pupil at \$750 in FY 2019. The per pupil property tax relief amount will be based on the State percent of growth enacted for FY 2019. The following table provides detail regarding the State cost per pupil funding levels as provided by a 1.0% growth rate for FY 2019 in HF 2230.

FY 2019 State Cost Per Pupil Calculations (Statewide Totals in Millions)				
	FY 2018 State Cost	FY 2019 State Percent of Growth	Budget Adjustment	FY 2019 State Cost
Teacher Salary - Districts	\$ 279.39	1.0%	\$1.30	\$ 282.94
Professional Development - Districts	31.66	1.0%	0.14	32.01
Early Intervention	34.47	1.0%	0.16	34.90
Teacher Leadership and Compensation	157.41	1.0%	0.70	159.47
Teacher Salary - AEs	15.75	1.0%	0.67	15.97
Professional Development - AEs	1.85	1.0%	0.07	1.87

Assumptions

- Estimates are based on October 2017 certified enrollments and supplementary weightings for FY 2019 that were approved by the School Budget Review Committee (SBRC) in December 2017.
- A statewide taxable valuation growth rate of 4.45% for FY 2019 was previously agreed upon by the Legislative Services Agency (LSA), the Department of Management, and the Department of Education. Based on this assumption, the statewide total for the uniform levy is estimated to account for \$37.6 million of the school foundation property tax change in FY 2019 (including the uniform levy portion of the commercial/industrial rollback replacement payment). The estimated increase in the uniform levy amount is not impacted by the establishment of the State percent of growth rate. The table below shows a 4.36% increase in the uniform levy due to changes in the uniform levy rates for school districts undergoing the process of reorganization.
- Property tax adjustment aid amounts are based on the statewide taxable valuation growth factor applied to each school district's FY 2018 taxable valuation amount.
- Other legislation may have an impact on the amount of State aid and property tax generated though the school aid formula. The fiscal impact in the table on the following page includes only the provisions in this Bill.
- State aid includes funding from the State General Fund and other funds appropriated or deposited in the Property Tax Equity and Relief (PTER) Fund that is used to provide additional property tax relief through the school aid formula.
- Establishing an FY 2019 State percent of growth will also impact the amount of funding generated for the Statewide Voluntary Preschool Program. Funding for the Program is provided with State General Fund dollars and is included in the overall State aid total.
- Districts eligible for the 101.0% budget adjustment will approve use of that provision.
- Beginning in FY 2019, the additional \$15.0 million State aid reduction to AEs implemented in FY 2018 will be restored.

Fiscal Impact

The following table provides the estimated fiscal impact of the three provisions of HF 2230: State Supplemental Aid, State categorical rate, and PTRP implementation. This includes:

- 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).
- \$51.5 million in PTRP funding, an increase of \$4.8 million compared to FY 2018 and an increase of \$9 per student.
- \$527.2 million for the State categorical supplements for school districts and AEAs, an increase of \$6.7 million (1.3%). This includes:
 - \$298.9 million for the teacher salary supplement.
 - \$33.9 million for the professional development supplement.
 - \$34.9 million for the early intervention supplement.
 - \$159.5 million for the teacher leadership supplement.
- \$82.2 million for preschool formula funding, an increase of \$4.0 million compared to FY 2018. The preschool formula funding is included in the State aid amount, but is not included in the combined district cost total.
- \$26.1 million in budget adjustment funding, an increase of \$2.5 million compared to FY 2018. The budget guarantee adjustment is calculated at the school district level so that school districts receive 101.0% of their previous year's funding. The budget guarantee adjustment is funded entirely through property taxes.
- An estimated \$64,000 in minimum aid funding. The minimum aid funding provision requires that districts receive at least \$300 in State aid funding per student. The provision lowers the affected districts' additional levy portion.
- The total property tax funds generated through the school aid formula are estimated to be \$1.521 billion, an increase of \$46.5 million over FY 2018.
- 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 \$3.227 billion, an increase of \$47.0 million (1.5%) compared to FY 2018.

Any legislative action affecting FY 2019 school aid provisions will have an impact on school aid amounts. Additionally, any variations in the assumptions noted may result in significant changes in the FY 2019 estimates provided in the following table.

Legislative Services Agency: FY 2019 School Aid Estimates (Statewide Totals in Millions)

State Supplemental Aid Rate
1.00%

State Cost Per Pupil \$6,731
Total Increase \$67

Program Funding:	FY 2018	Est. FY 2019	Est. Change	% Change
Regular Program District Cost	\$ 3,244.09	\$ 3,284.10	\$ 40.01	1.23%
Regular Program Budget Adjustment	23.64	26.14	2.50	10.55%
Supplementary Weighting (District)	93.30	98.98	5.68	6.09%
Special Education Instruction (District)	430.28	440.70	10.41	2.42%
Teacher Salary Supplement (District)	279.39	282.94	3.55	1.27%
Professional Development Supplement (District)	31.66	32.06	0.40	1.26%
Early Intervention Supplement (District)	34.47	34.90	0.43	1.25%
Teacher Leadership Supplement (District)	157.41	159.47	2.06	1.31%
AEA Special Ed Support District Cost	159.62	162.47	2.85	1.79%
AEA Special Ed Support Adjustment	1.52	1.76	0.24	15.96%
AEA Media Services	28.33	28.68	0.35	1.22%
AEA Ed Services	31.31	31.69	0.38	1.21%
AEA Teacher Salary Supplement	15.75	15.97	0.22	1.43%
AEA Professional Development Supplement	1.85	1.87	0.03	1.59%
Dropout and Dropout Prevention	120.08	120.08	0.00	0.00%
Combined District Cost	\$ 4,630.89	\$ 4,714.97	\$ 84.08	1.82%
Statewide Voluntary Preschool Program	\$ 78.15	\$ 82.20	4.04	5.18%

State Aid:	FY 2018	Est. FY 2019	Est. Change	% Change
Regular Program	\$ 1,940.90	\$ 1,942.01	1.11	0.06%
Supplementary Weighting	81.29	86.24	4.95	6.09%
Special Education Weighting	375.14	384.26	9.12	2.43%
Property Tax Adjustment Aid (1992)	8.46	8.08	-0.38	-0.81%
Property Tax Replacement Payment (PTRP)	46.76	51.52	4.76	10.17%
Adjusted Additional Property Tax - General Fund	24.00	24.00	0.00	0.00%
Statewide Voluntary Preschool Program	78.15	82.20	4.04	5.18%
Minimum State Aid	0.00	0.06	0.06	100.00%
State Aid from General Fund	\$ 3,179.63	\$ 3,226.59	\$ 46.96	1.48%
Excess from SAVE Fund	9.70	9.50	-0.20	-2.07%
Total State Aid (Includes Non-General Fund)	\$ 3,189.33	\$ 3,236.29	\$ 46.96	1.47%

Local Property Tax:	FY 2018	Est. FY 2019	Est. Change	% Change
Uniform Levy Amount	\$ 862.06	\$ 899.68	\$ 37.63	4.36%
Additional Levy	612.69	621.52	8.83	1.44%
Total Levy to Fund Combined District Cost	\$ 1,474.74	\$ 1,521.20	\$ 46.45	3.15%
Comm/Ind - Uniform Levy Replacement	26.29	22.40	-3.89	-14.79%
Comm/Ind - Additional Levy Replacement	19.50	17.27	-2.23	-11.42%

Miscellaneous Information:	FY 2018	Est. FY 2019	Est. Change	% Change
Budget Enrollment	485,147.30	486,264.30	1,117.00	0.23%
Number of Districts with Budget Adjustment	179	183	4	2.23%
Percent of Districts with Budget Adjustment	54%	55%		
Property Tax Relief Payment per student	\$ 83.00	\$ 91.00	\$ 8.00	9.64%
AEA Funding	\$ 217.20	\$ 235.61	\$ 18.40	8.47%

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 provision for Minimum State aid requires that the State provide at least \$300 per student.

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

February 6, 2018

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.
