



Amendment [H-1014](#) to [House File 215](#) – Education Reform (LSB 1485HV)
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 Fiscal Note Version – New

Description

Amendment [H-1014](#) to [HF 215](#) includes the following provisions:

- Establishes the FY 2014 and FY 2015 regular school aid allowable growth rate at 2.0% for each fiscal year.
- Establishes the FY 2014 and FY 2015 State categorical supplement allowable growth rates at 2.0% for each fiscal year.
- Requires any property tax increase resulting from the per pupil growth amount of the additional levy (also referred to as the “second effort”) due to the establishment of the regular school aid allowable growth rate to be replaced with State aid.
- Replaces the term allowable growth with the term supplemental state aid in regards to school finance funding.

Background

Establishing an allowable growth rate increases the per pupil funding levels. The amendment will provide supplemental state aid increases for 10 State cost per pupil amounts and the corresponding district and area education agency (AEA) cost per pupil amounts for FY 2014 and FY 2015. The following table provides the supplemental State aid amounts for the 10 State cost per pupil amounts.

Regular School Aid Per Pupil Components	FY 2013 State Cost Per Pupil Amounts	FY 2014			FY 2015		
		FY 2014 Allowable Growth Rate	Growth in FY 2014 Cost Per Pupil Amounts	State Cost Per Pupil Amount	FY 2015 Allowable Growth Rate	Growth in FY 2015 Cost Per Pupil Amounts	State Cost Per Pupil Amount
Regular Program	\$ 6,001.00	2.0%	\$ 120.00	\$ 6,121.00	2.0%	\$ 122.00	\$ 6,243.00
Special Education Program	6,001.00	2.0%	120.00	6,121.00	2.0%	122.00	6,243.00
AEA Special Education Support	263.51	2.0%	5.27	268.78	2.0%	5.38	274.16
AEA Media Services	49.13	2.0%	0.98	50.11	2.0%	1.00	51.11
AEA Educational Services	54.22	2.0%	1.08	55.30	2.0%	1.11	56.41
State Categorical Supplements							
Teacher Salary - Districts	\$ 517.17	2.0%	\$ 10.34	\$ 527.51	2.0%	\$ 10.55	\$ 538.06
Professional Development - Districts	58.57	2.0%	1.17	59.74	2.0%	1.19	60.93
Early Intervention	63.80	2.0%	1.28	65.08	2.0%	1.30	66.38
Teacher Salary - AEA's	27.07	2.0%	0.54	27.61	2.0%	0.55	28.16
Professional Development - AEA's	3.16	2.0%	0.06	3.22	2.0%	0.06	3.28

Increasing the regular program State cost per pupil by 2.0% in FY 2014 will increase the per pupil amount by \$120.00. Of that amount, 87.5% (\$105) will be absorbed by State aid while the remainder (\$15) is absorbed by local property tax (referred to as the “second effort”). However, H-1014 requires that the increase in the per pupil second effort portion be funded with State aid. The provision applies to per pupil growth amounts beginning in FY 2014 and continues in subsequent fiscal years.

The estimated State aid increase and corresponding property tax reduction per pupil amounts (compared to current law estimates) based on the 2.0% allowable growth rates are as follows:

- FY 2014 = \$15.00 of the \$120.00 increase.
- FY 2015 = \$15.00 of the \$122.00 increase. The cumulative impact will be \$30.00 of the \$242.00 increase compared to the FY 2013 per pupil amount.
- The provision will also have an impact in subsequent fiscal years and will be impacted by the per pupil growth amounts in those years.

Assumptions

The following assumptions were used to determine the estimated fiscal impact:

- Enrollments include the October 2012 certified enrollments and Department of Education enrollment projections for FY 2015.
- The FY 2014 supplementary and special education weightings are based on the preliminary data from fall 2012. The FY 2015 estimates assume a 1.0% increase in special education weightings, a 1.0% increase in at-risk weightings, a 7.0% increase in English-as-a-second language (ESL) weightings, and a decrease of 30.6% for sharing weightings.
- Statewide taxable valuation growth will be 3.94% for FY 2014 and 4.25% for FY 2015. Based on these assumptions, the statewide total for the uniform levy is estimated to account for \$30.8 million of the school foundation property tax change in FY 2014 and \$32.2 million in FY 2015. The estimated increase in the uniform levy amount is not impacted by the establishment of the allowable growth rate.
- State aid funding 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 allowable growth rate 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 (also referred to as the budget guarantee) will approve use of that provision. The Legislative Services Agency (LSA) estimates include a total budget adjustment of \$11.2 million in FY 2014 and \$30.9 million for FY 2015 based on 2.0% allowable growth rates for each fiscal year.
- Beginning in FY 2014, the additional \$20.0 million State aid reduction to AEAs implemented in FY 2012 and FY 2013 will be restored.

Fiscal Impact

The estimated fiscal impact of H-1014 is an increase of \$76.0 million (2.9%) in State General Fund expenditures for State school aid in FY 2014, and \$51.3 million (1.9%) in FY 2015. The following table provides detail of the Statewide school aid totals for FY 2014 and FY 2015.

Program funding levels include:

- The State categorical supplements are estimated to increase \$7.8 million (2.4%) in FY 2014 and \$8.8 million (2.7%) in FY 2015.
- The Statewide Voluntary Preschool Program is estimated to increase \$5.0 million (8.3%) in FY 2014 and \$4.6 (7.1%) million in FY 2015.

- The total school aid funding amount (referred to as the combined district cost) is estimated to increase \$103.0 million (2.6%) in FY 2014 and \$103.0 million (2.6%) in FY 2015.
- Compared to current law estimates, the additional State aid for property tax relief provision will increase State aid (and reduce property taxes) by \$8.3 million in FY 2014 and \$16.5 million compared to FY 2015 (an increase of \$8.2 million compared to the FY 2014 amount). These amounts are included in the overall State General fund impact noted above.

State School Aid Funding: FY 2012 Through Est. FY 2015						
Estimates Based on House Amendment to HF 215 (Dollars in Millions)						
	FY 2013 - 2% Allowable Growth	Change from FY 2012	FY 2014 - 2% Allowable Growth	Change from Est. FY 2013	FY 2015 - 2% Allowable Growth	Change from Est. FY 2014
Regular School Aid	\$ 2,280.9	\$ 23.9	\$ 2,337.1	\$ 56.2	\$ 2,366.7	\$ 29.6
Additional State Aid for Property Tax Relief*	NA	NA	8.3	8.3	16.5	8.3
Total Regular School Aid**	\$ 2,280.9	\$ 23.9	\$ 2,345.4	\$ 64.5	\$ 2,383.3	\$ 37.9
Teacher Salary Supplement	260.0	3.2	266.3	6.3	273.4	7.1
Professional Development Supplement	29.5	0.4	30.2	0.7	31.0	0.8
Early Intervention Supplement	30.3	0.4	31.1	0.8	31.9	0.8
Total State Categorical Supplement	\$ 319.8	\$ 3.9	\$ 327.5	\$ 7.8	\$ 336.3	\$ 8.8
Total School Aid w/o Preschool	\$ 2,600.7	\$ 27.8	\$ 2,672.9	\$ 72.2	\$ 2,719.6	\$ 46.6
Preschool Aid	\$ 60.4	\$ 2.0	\$ 65.4	\$ 5.0	\$ 70.1	\$ 4.6
Total State Aid Amount for School Programs	\$ 2,661.1	\$ 29.9	\$ 2,738.4	\$ 77.3	\$ 2,789.6	\$ 51.3
PTER Funding	\$ 7.4	\$ 0.7	\$ 8.7	\$ 1.3	\$ 8.7	\$ 0.0
Total State General Fund Amount for School Aid	\$ 2,653.7	\$ 29.2	\$ 2,729.7	\$ 76.0	\$ 2,781.0	\$ 51.3
Uniform Levy Amount	\$ 729.7		\$ 760.5	\$ 30.8	\$ 792.9	\$ 32.3
Total Unadjusted Additional Levy Amount	612.4		621.2	8.7	653.4	32.3
Additional State Aid for Property Tax Relief*	NA	NA	-8.3	-8.3	-16.5	-8.3
Property Tax Adjustment Aid (from GF)	-24.0	0.0	-24.0	0.0	-24.0	0.0
Property Tax Adjustment Aid (from PTER)	-7.4	-0.7	-8.7	-1.3	-8.7	-0.0
Total Foundation Property Tax	\$ 1,310.8	\$ -3.7	\$ 1,340.8	\$ 30.0	\$ 1,397.1	\$ 56.3
Combined District Cost	\$ 3,910.7	\$ 23.4	\$ 4,013.7	\$ 103.0	\$ 4,116.7	\$ 103.0
Est. Budget Guarantee Amount			\$ 11.2		\$ 30.9	
Number of Districts with Budget Guarantee:			134		186	

Notes:

*Estimates include the provision that provides property tax relief for any increase resulting in the per pupil increase funded with property tax to be funded with State aid.

**Regular school aid estimate amounts include the restoration of the additional AEA reduction of \$20.0 million beginning in FY 2014. Also includes PTER Funds used for property tax relief.

***Based on the current law amount for PTER.

Budget guarantee amounts provided are included in the total foundation property tax amounts displayed.

GF = General Fund

PTER = Property Tax Equity and Relief Fund

FY 2014 and FY 2015 estimates are based on a variety of assumptions that are subject to change. For a complete list of assumptions, contact the LSA.

Combined district cost represents the total school foundation funding amount and is not impacted by a reduction in State school aid.

Totals may not sum due to rounding.

Estimates are not official or final. The Department of Management will provide the official school aid amounts.

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Sources

Iowa Department of Education, Certified Enrollment (Preliminary), and Enrollment Projections files
Iowa Department of Management, School Aid file
LSA analysis and calculations

/s/ Holly M. Lyons

February 19, 2013

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.
