

School Transportation Equity Bill House File 307

Last Action:

Final Action

February 13, 2019

An Act relating to public school funding by modifying provisions relating to the regular program State cost per pupil, making appropriations to the Transportation Equity Fund, establishing transportation data review and reporting requirements, and including effective date provisions.

**Fiscal Services Division
Legislative Services Agency**

NOTES ON BILLS AND AMENDMENTS (NOBA)

Available online at www.legis.iowa.gov/publications/information/appropriationBillAnalysis

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FUNDING SUMMARY

House File 307 appropriates an estimated \$21.9 million from the General Fund for FY 2020. The funding includes:

- An estimated increase in State school aid of \$2.9 million and a decrease to property taxes of \$1.7 million due to an increase to the State cost per pupil by \$5 per student.
- A General Fund standing appropriation of \$19.0 million beginning FY 2020. This represents an increase of \$7.8 million compared to FY 2019.

STUDIES AND INTENT

Required Reports

Requires the Department of Education to submit a report by December 1, 2020, and every five years thereafter, on the efficacy of the transportation equity payments under the Transportation Equity Program.

Page 3, Line 31

SIGNIFICANT CODE CHANGES

Specifies that the standing appropriation to the Transportation Equity Fund in Section 4 of this Bill may grow at the same rate as a categorical under the categorical State percent of growth beginning in FY 2021.

Page 1, Line 7

The Bill decreases the variance between the State cost per pupil and the school district cost per pupil within the State aid formula. In FY 2020, this is estimated to increase the State school aid General Fund appropriation by \$2.9 million and decrease property taxes by \$1.4 million.

Page 2, Line 25

EFFECTIVE DATE

This Bill is effective upon enactment.

Page 3, Line 39

1 7 Section 1. Section 257.8, subsection 2, Code 2019, is
 1 8 amended to read as follows:
 1 9 2. CATEGORICAL STATE PERCENT OF GROWTH. The categorical
 1 10 state percent of growth for the budget year beginning July
 1 11 1, 2016, is two and twenty-five hundredths percent. The
 1 12 categorical state percent of growth for the budget year
 2 1 beginning July 1, 2017, is one and eleven hundredths percent.
 2 2 The categorical state percent of growth for the budget year
 2 3 beginning July 1, 2018, is one percent. The categorical state
 2 4 percent of growth for each budget year shall be established
 2 5 by statute which shall be enacted within thirty days of the
 2 6 transmission of the governor's budget required by February
 2 7 1 under section 8.21 during the regular legislative session
 2 8 beginning in the base year. The categorical state percent of
 2 9 growth may include state percents of growth for the teacher
 2 10 salary supplement, the professional development supplement,
 2 11 the early intervention supplement, ~~and~~ the teacher leadership
 2 12 supplement, ~~and for budget years beginning on or after July 1,~~
 2 13 2020. transportation equity aid payments under section 257.16C.

2 14 Sec. 2. Section 257.8, subsection 5, paragraph b, Code 2019,
 2 15 is amended to read as follows:
 2 16 b. For the budget year beginning July 1, 2018, and
 2 17 subsequent budget years, references to "supplemental state aid"
 2 18 and "regular program state cost per pupil" shall mean those
 2 19 terms as calculated including the additional ~~amount~~ amounts for
 2 20 the specified budget year ~~beginning July 1, 2018, years~~ under
 2 21 section 257.9, subsection 2, ~~paragraph "b"~~, and references to
 2 22 "regular program district cost per pupil" shall mean that term as
 2 23 calculated including any adjustments made under section 257.10,
 2 24 subsection 2.

2 25 Sec. 3. Section 257.9, subsection 2, Code 2019, is amended
 2 26 to read as follows:
 2 27 2. REGULAR PROGRAM STATE COST PER PUPIL FOR 1992-1993 AND
 2 28 SUCCEEDING YEARS.
 2 29 a. For the budget year beginning July 1, 1992, and
 2 30 succeeding budget years beginning before July 1, 2018, the
 2 31 regular program state cost per pupil for a budget year is the
 2 32 regular program state cost per pupil for the base year plus the
 2 33 regular program supplemental state aid for the budget year.
 2 34 b. For the budget year beginning July 1, 2018, the regular
 2 35 program state cost per pupil is the regular program state
 2 36 cost per pupil for the base year plus the regular program
 2 37 supplemental state aid for the budget year, plus five dollars.
 2 38 c. For the budget year beginning July 1, 2019, the regular

CODE: Establishes that beginning in FY 2021, the categorical State percent of growth may include the Transportation Equity Fund aid payments under the Transportation Equity Program.

DETAIL: The Transportation Equity Program was established in FY 2019 to provide funding to school districts with high transportation costs. The Program focuses funding on the districts spending the most per student enrolled in the district. The Program established a methodology for calculating a statewide adjusted transportation cost per pupil that takes into account appropriations made to the Transportation Equity Fund.

CODE: Adjusts future calculations of the State cost per pupil to include the \$5 adjustment made in Section 3 of this Bill.

CODE: Specifies that the regular program State cost per pupil for FY 2020 is the amount calculated using the State supplemental aid (SSA) rate, plus an additional \$5.

DETAIL: 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 2019, the State cost per pupil is \$6,736 per student, which was used to determine the State aid foundation level (87.50% of the State cost per pupil, or \$5,894), and the Property Tax Replacement Payment (PTRP) (\$92 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 the district's taxable property valuation. If a State supplemental aid rate is not set for FY 2020, the costs per

2 39 program state cost per pupil is the regular program state
 3 1 cost per pupil for the base year plus the regular program
 3 2 supplemental state aid for the budget year, plus five dollars.
 3 3 ~~—e.~~ d. For the budget year beginning July 1, ~~2019~~ 2020, and
 3 4 succeeding budget years, the regular program state cost per
 3 5 pupil for a budget year is the regular program state cost per
 3 6 pupil for the base year plus the regular program supplemental
 3 7 state aid for the budget year.

pupil will remain at the FY 2019 level.

The rest of the State cost per pupil, 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 \$170 per student, depending on each 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 that were below that level up to the statewide average but not requiring districts spending more to reduce spending per student.

The adjustment in this section reduces the maximum difference between the State cost per pupil and the maximum district cost per pupil to \$165 by increasing the State cost per pupil by \$5. Districts that have a higher district cost per pupil will receive State aid replacement for funds that would have been generated through property taxes. Districts at the State cost per pupil will receive additional spending authority.

FISCAL IMPACT: Based on a 2.06% SSA growth rate for FY 2020 as enacted by 2019 Iowa Acts, Ch. 1 (School Finance — State Percents of Growth — Property Tax Replacement Payments), an increase of \$5 per pupil is estimated to increase the General Fund appropriation for State school aid by \$2,909,400 and decrease property taxes by \$1,367,374 for FY 2020.

3 8 Sec. 4. Section 257.16C, subsection 3, Code 2019, is amended
 3 9 by adding the following new paragraph:
 3 10 NEW PARAGRAPH d. (1) For the fiscal year beginning
 3 11 July 1, 2019, there is appropriated from the general fund of
 3 12 the state to the department of management for deposit in the
 3 13 transportation equity fund the sum of nineteen million dollars,
 3 14 or so much thereof as is necessary, to be used for the purposes
 3 15 of this section.
 3 16 (2) For each fiscal year beginning on or after July 1, 2020,
 3 17 there is appropriated from the general fund of the state to
 3 18 the department of management for deposit in the transportation
 3 19 equity fund the sum of the following, or so much thereof as is
 3 20 necessary, to be used for the purposes of this section:
 3 21 (a) The amount appropriated to the transportation equity
 3 22 fund under this paragraph for the immediately preceding fiscal
 3 23 year.
 3 24 (b) The product of the amount determined under subparagraph
 3 25 division (a) multiplied by the categorical percent of growth
 3 26 under section 257.8, subsection 2, for the budget year beginning
 3 27 on the same date of the fiscal year for which the appropriation

CODE: Creates a General Fund standing appropriation to the Transportation Equity Fund of \$19,000,000 beginning in FY 2020.

DETAIL: Specifies that future appropriations to the Transportation Equity Fund are calculated by applying the SSA rate of the fiscal year in which the appropriation is made to the previous fiscal year appropriation to the Transportation Equity Fund.

3 28 is made.

3 29 Sec. 5. Section 257.16C, Code 2019, is amended by adding the
3 30 following new subsection:

3 31 NEW SUBSECTION 7. On or before December 1, 2020, and on
3 32 or before December 1 every five years thereafter, the director
3 33 of the department of education shall compile and review the
3 34 data collected as a result of the transportation equity aid
3 35 and transportation base funding payments provided under this
3 36 section and shall prepare a report to the general assembly
3 37 containing analysis of the aid and the payments' efficacy and
3 38 recommendations for changes.

3 39 Sec. 6. EFFECTIVE DATE. This Act, being deemed of immediate
3 40 importance, takes effect upon enactment.

CODE: Requires the Department of Education to submit a report to the General Assembly by December 1, 2020, and every five years thereafter, on the efficacy of the transportation equity payments under the Transportation Equity Program.

CODE: Specifies that the Bill takes effect upon enactment.

Unassigned Standings

General Fund

	Actual FY 2018 (1)	Estimated FY 2019 (2)	Gov Rec FY 2020 (3)	Final Action FY 2020 (4)	Final Action vs. Est 2019 (5)	Page and Line # (6)
<u>Education, Department of</u>						
Education, Dept. of						
State Aid \$5 Per Pupil Increase	\$ 0	\$ 0	\$ 0	\$ 2,909,400	\$ 2,909,400	PG 2 LN 25
Total Education, Department of	\$ 0	\$ 0	\$ 0	\$ 2,909,400	\$ 2,909,400	
<u>Management, Department of</u>						
Management, Dept. of						
Transportation Equity Fund	\$ 0	\$ 11,200,000	\$ 11,200,000	\$ 19,000,000	\$ 7,800,000	PG 3 LN 8
Total Management, Department of	\$ 0	\$ 11,200,000	\$ 11,200,000	\$ 19,000,000	\$ 7,800,000	
Total Unassigned Standings	\$ 0	\$ 11,200,000	\$ 11,200,000	\$ 21,909,400	\$ 10,709,400	