EIGHTY-EIGHTH GENERAL ASSEMBLY
2019 REGULAR SESSION
DAILY

SENATE CLIP SHEET

January 31, 2019

Clip Sheet Summary

Displays all amendments, fiscal notes, and conference committee reports for previous day.

Bill	Amendment	Action	Sponsor
No amendments filed on January 30, 2019			

Fiscal Notes

SJR 2 — Expenditure Limitation, Constitutional Amendment (LSB1635XS)

SF 5 — Forest Reserve Tax Exemption (LSB1050XS)

SF 138 — Whole Grade Sharing and Reorganization Incentives (LSB1526SV)

LEGISLATIVE SERVICES AGENCY
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Fiscal Note

Fiscal Services Division

SJR 2 – Expenditure Limitation Constitutional Amendment (LSB1635XS)
Analyst: David Reynolds (515.281.6934) dave.reynolds@legis.iowa.gov
Fiscal Note Version – New

Description

Senate Joint Resolution 2 (SJR 2) proposes an amendment to the Iowa Constitution that creates a State General Fund expenditure limitation requirement to be used when establishing a General Fund budget for a subsequent fiscal year. The proposed expenditure limitation would be the lesser of the following:

- 99.0% of the adjusted revenue estimate established by the Revenue Estimating Conference (REC) for the next fiscal year.
- The net revenue estimate for the current fiscal year in progress, increased by 4.0%.

The *adjusted revenue estimate* is defined as the most recent revenue estimate for the next fiscal year as determined by the REC before January 1, or a lower subsequent estimate, adjusted by subtracting estimated refunds.

The *net revenue estimate* is defined as the most recent revenue estimate for the current fiscal year in progress as determined by the REC before January 1, or a later lower estimate, adjusted by subtracting estimated refunds.

The Resolution defines *new revenue* as moneys received by the General Fund due to increased tax rates or fees or newly created taxes or fees, over and above those moneys received by the General Fund due to taxes and fees that were in effect as of January 1. The definition of new revenue also includes revenue transfers to the General Fund. The Resolution requires that a newly proposed revenue source be added to the expenditure limitation at 95.0% of the estimate. The Resolution also requires that any revenue decreases be applied to the expenditure limitation at 100.0%.

The Resolution prohibits the Governor from approving or disapproving appropriations bills in a manner that causes the final approved appropriations to exceed the expenditure limitation.

Senate Joint Resolution 2 requires the General Assembly to enact legislation to implement the provisions of the constitutional amendment after it is ratified by Iowa voters.

The Resolution allows the General Assembly to suspend the provisions of this amendment subject to the passage of a joint resolution by two-thirds of the members of the Senate and House, and approval by the Governor.

Background

Iowa Code section 8.54 establishes expenditure limitation requirements for Iowa's General Fund budget process. Under current law, the adjusted revenue estimate is calculated by adding new revenue to the base estimate established by the REC in December, or the March estimate if it is lower than the December estimate.

Current law does not include the alternative adjusted revenue estimate calculation included in SJR 2, in which the current year estimate is increased by 4.0%.

In addition, current law allows the balance from the previous year's surplus, after the reserve fund requirements are fulfilled, to carry forward to the next fiscal year and be added to the

expenditure limitation at 100.0%. This Resolution does not provide for the General Fund surplus to be added to the expenditure limitation.

Iowa Code section 49A.1 and the Iowa Constitution require that when an amendment to the Constitution is first passed by the General Assembly, and has been referred to the next succeeding General Assembly, the State Commissioner of Elections (Secretary of State) is required to publish the proposed amendment in two newspapers of general circulation in each Iowa congressional district once each month for three consecutive months prior to the start of the next General Assembly.

Upon passage of the same amendment by the second General Assembly, the amendment is to be published in newspapers in all 99 counties once each month for three consecutive months immediately preceding the general election.

Assumptions

- The average cost to publish an amendment in a single newspaper is $600.
- Publication of the initial amendment would occur in eight newspapers (two in each congressional district) for a three-month period.
- Subsequent publication of the amendment would occur in 99 newspapers (one in each county) for a three-month period.

Fiscal Impact

Constitutional Amendment Publication Cost. The estimated cost to publish a proposed Constitutional amendment passed by the General Assembly during the 2019 Legislative Session would be $14,400 (8 newspapers x 3 months x $600). The costs would be incurred in the fall of 2020 (FY 2021).

Assuming the proposed amendment is passed a second time during the 2021 Legislative Session, the estimated cost would be $178,200 (99 newspapers x 3 months x $600). The costs would be incurred in the fall of 2022 (FY 2023).

The above publication costs would be incurred by the Iowa Secretary of State's Office.

Analysis of Expenditure Limitation Provisions. The fiscal impact related to the expenditure limitation provisions of SJR 2 cannot be determined, as the impact is dependent on future revenue collections, revenue estimates, and appropriations decisions. However, ratification of the proposed amendment could possibly reduce future General Fund appropriations compared to current law.

Based on an analysis of State General Fund revenue estimates and appropriations levels over the last 12 legislative sessions, if the expenditure limitation requirements in SJR 2 had been in place in each of those fiscal years, appropriations to the General Fund would have been lower than the enacted appropriations in seven of the fiscal years. The Resolution would have had no impact on appropriations in five of the fiscal years. The fiscal impact of SJR 2 on the seven impacted fiscal years would have resulted in an average annual reduction of $75.6 million, or 1.1% of the enacted appropriations (see the table below).

Comparison of Enacted General Fund Appropriations to the Expenditure Limitation as Recalculated under SJR 2

(Dollars in Millions)

Fiscal Years Impacted	Enacted Appropriations	Expenditure Limitation Under SJR 2	Reduction	Reduction as a % of Actual
FY 2009	$ 6,133.0	$ 6,091.9	$ -41.1	-0.7%
FY 2012	5,999.7	5,877.6	-122.1	-2.0%
FY 2013	6,222.6	6,161.7	-60.9	-1.0%
FY 2014	6,490.1	6,422.0	-68.1	-1.0%
FY 2015	6,958.9	6,893.8	-65.1	-0.9%
FY 2016	7,175.2	7,048.6	-126.6	-1.8%
FY 2017	7,350.6	7,305.2	-45.4	-0.6%
Average	$ 6,618.6	$ 6,543.0	$ -75.6	-1.1%

Note: SJR 2 would not have had an impact on appropriations levels for FY 2008, FY 2010, FY 2011, FY 2018, or FY 2019.

Senate Joint Resolution 2 would have the largest impact on fiscal years in which a General Fund surplus is carried forward from the prior fiscal year and added to the expenditure limitation. Because the provisions of SJR 2 do not allow General Fund surplus carryforward funds to be added to the expenditure limitation, fiscal years that would otherwise have surplus funds would be impacted more significantly under SJR 2. Six of the seven impacted fiscal years analyzed (FY 2012 through FY 2017) had surplus carryforward funds added to their respective expenditure limitations. However, the hypothetical impact of SJR 2 on FY 2009 is due to the General Assembly overriding the December estimate of the REC and allowing the higher subsequent estimate to be used for the FY 2009 budget. Overriding the December estimate would not be allowed under the provisions of SJR 2.

The proposed constitutional amendment does not address the disposition of a General Fund surplus that may result after the statutory reserve fund requirements are met. Under current law, once the combined balances in the Cash Reserve Fund and the Economic Emergency Fund reach 10.0% of the adjusted revenue estimate and any obligations of the Performance of Duty and Taxpayer Relief Fund are fulfilled, the remaining surplus dollars carry forward to the next fiscal year.

Sources

Legislative Services Agency
Office of the Secretary of State

/s/ Holly M. Lyons

Holly M. Lyons

The fiscal note for this Resolution 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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Fiscal Note

Fiscal Services Division

SF 5 – Forest Reserve Tax Exemption (LSB1050XS)
Analyst: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – New

Description

Senate File 5 repeals an existing property tax exemption available for qualified forest reservation land. Current law allows for a 100.0% tax exemption for forest land parcels of 2.0 acres or larger. The change does not impact the existing 100.0% exemption for qualified fruit tree property. The change is effective beginning assessment year (AY) 2020 (FY 2022).

Background

For AY 2018, there were approximately 793,000 acres with a combined assessed value (market or productivity value, prior to any applicable taxable value rollback) of $704.2 million benefiting from the existing tax exemption for fruit trees and forest reservations. The statewide breakout of this acreage into fruit trees versus forest reservations is not available, but through assessment data from select counties, it is assumed that the vast majority of the exempt land qualifies as forest reservation property.

For AY 2008, exempt forest and fruit tree reservation acres totaled 658,000. Over the last ten years (AY 2008 to AY 2018), exempt forest and fruit tree reservation acreage increased by an average of 1.9% per year.

Reducing or eliminating a property tax exemption impacts State and local finances by decreasing the State appropriation for school aid and by increasing the revenue raised by local property tax levies. The State school aid appropriation reduction is equal to $5.40 per $1,000 of increase in value subject to property tax.

Assumptions

The fiscal impact estimate was developed by the Department of Revenue (DOR) using the most recent actual property data available. The property tax statistics used include:

- Assessment year 2018 forest and fruit tree reservation exempt acres and value. All exempt acres are assumed to be forest reservation acres.
- Fiscal year 2019 statewide average property tax rates by property class.
- Fiscal year 2020 rollback percentages by property class.

The reduced property tax associated with the existing forest and fruit tree reservation property tax exemption is estimated to be $11.5 million for FY 2020. Of the $11.5 million, $2.2 million is projected to be backfilled through the State school aid General Fund appropriation and $9.3 million represents reduced local government property tax revenue. The $11.5 million annual property tax exemption value is assumed to increase 1.9% per year.

Fiscal Impact

For FY 2022, repealing the forest reservation property tax exemption will increase property tax revenue by an estimated $11.9 million, reduce the State General Fund appropriation for school aid by $2.3 million, and increase the amount of money raised by local property tax levies by $9.6 million. The impacts are projected to increase 1.9% each succeeding fiscal year.

Sources

Iowa Department of Revenue
Iowa Department of Natural Resources

/s/ Holly M. Lyons

January 29, 2019

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.

Fiscal Note

Fiscal Services Division

SF 138 – Whole Grade Sharing and Reorganization Incentives (LSB1526SV)
Analyst: Michael Guanci (515.725.1286) michael.guanci@legis.iowa.gov
Fiscal Note Version – New

Description

Senate File 138 extends the whole grade sharing supplementary weighting and reorganization incentives for an additional five years.

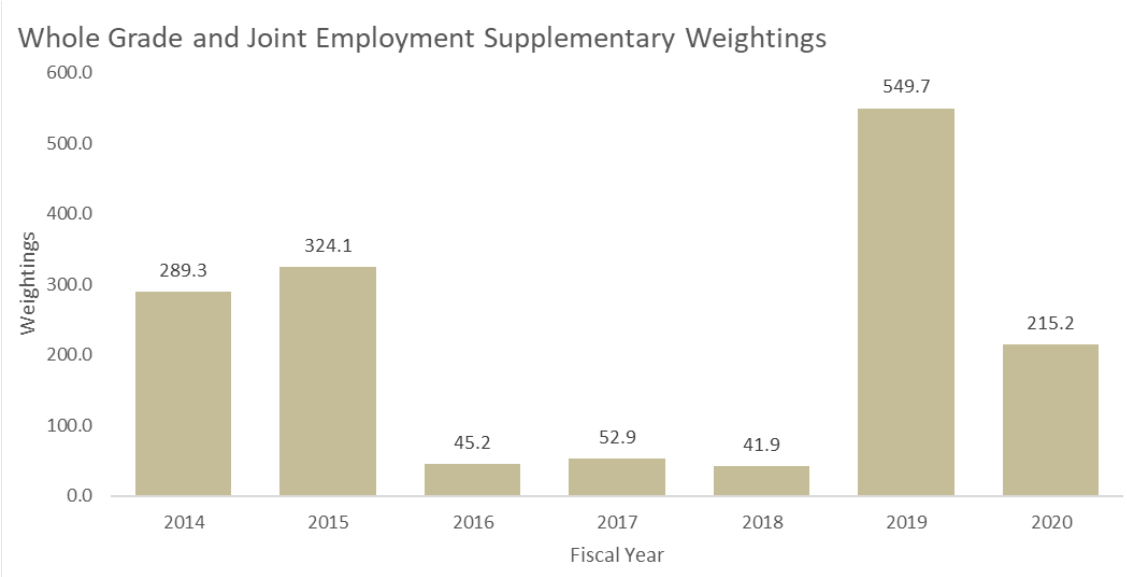
Background

This Bill is the third extension of the provisions currently in statute. Previous periods in which supplementary weightings were provided include:

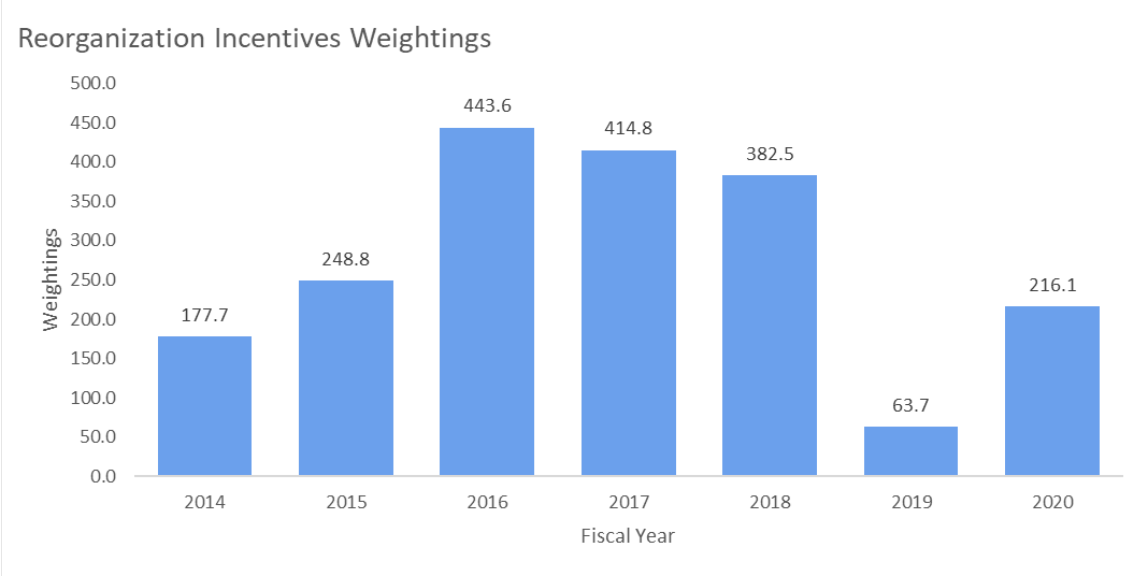
- FY 2003 - FY 2008
- FY 2009 - FY 2015
- FY 2016 - FY 2020

Currently, school districts that participate in whole grade sharing and joint employment which jointly adopt a resolution to study reorganization are eligible to receive supplementary weighting of up to 0.1 per student for three years. Additionally, if the school districts reorganize, they may be eligible to receive the supplementary weighting for a total of six years. In addition to supplementary weighting, school districts that reorganize may be eligible for a uniform levy rate reduction for three years. The provisions in SF 138 extend these reorganization provisions authorized on or before July 1, 2019, to July 1, 2024.

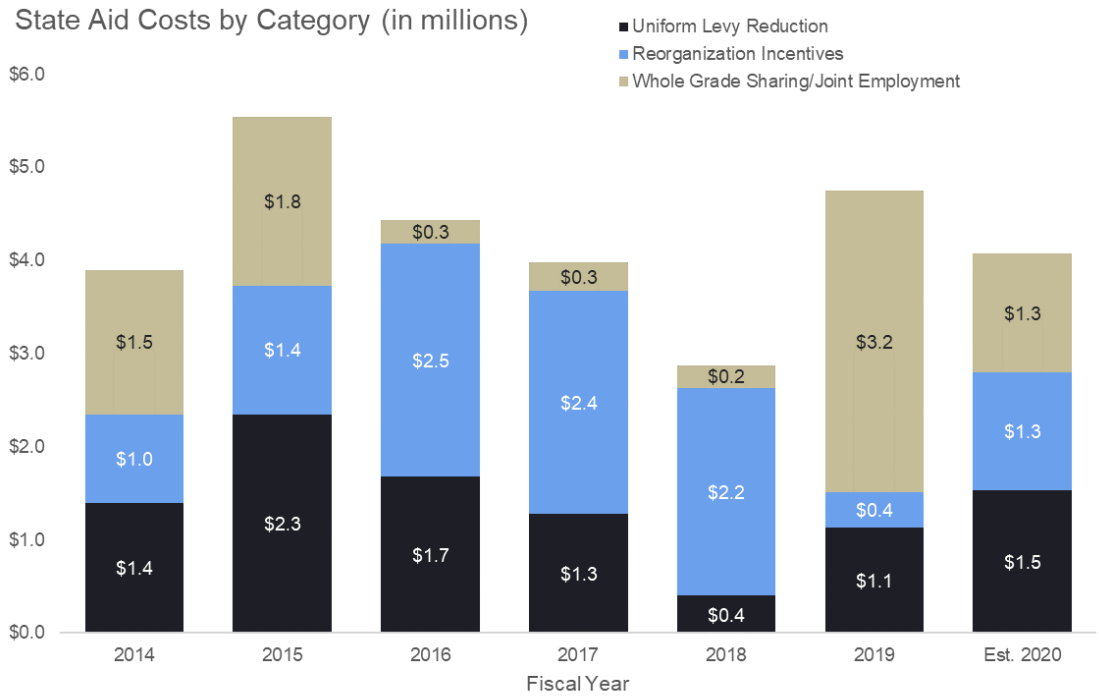
The amounts of weightings for whole grade sharing and joint employment have varied throughout the last seven years, as shown in the following chart. These weightings are calculated from the number of eligible resident pupils times a weighting of 0.1.



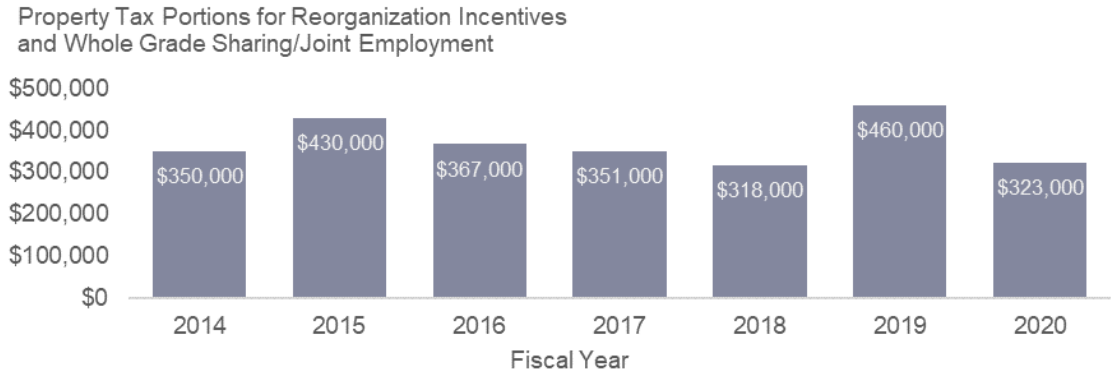
Supplementary weighting for reorganization has also varied in the last seven years. These weightings are calculated from the year prior to a district's reorganization and carried forward for three years.



The supplementary weightings and reorganization incentives are funded through a mix of State aid and property taxes, which are calculated through the school finance formula. State aid costs associated with each of these supplementary weightings have varied due to the size and number of districts that are eligible to receive supplementary weighting.



The property tax portions associated with each of these supplementary weightings have varied due to the size and number of districts that are eligible to receive supplementary weighting.



Uniform levy reductions are paid by State aid through the school finance formula. The State aid cost for the uniform levy incentives depends on the enrollment of a district and taxable valuation of a district.

Since FY 2014, the minimum total State aid generated from whole grade sharing, joint employment, and reorganization incentives including uniform levy reductions was $2.9 million in FY 2018 and the maximum total State aid generated was $5.6 million in FY 2015.

Assumptions

- Under the provisions of this Bill and using the Department of Education's (DE) historical analysis, there may be on average approximately 2,000 students per year upon which supplemental weightings would be generated between FY 2021 and FY 2023.
- The districts eligible to receive the weightings for FY 2021 will make progress to reorganizing and will receive the weighting for the second and third years.
- The amount of State aid for reorganizations is unknown and will be predicated on the number of districts that approve reorganization prior to July 1, 2024.
- Estimates are based on a State and district cost per pupil of $6,736 for each fiscal year. Any State percent of growth above 0.00% for FY 2020 through FY 2024 will increase the overall impact. The State aid portion is appropriated from the General Fund and is based on the 87.50% foundation level and $92 per pupil for property tax replacement payments.

Fiscal Impact

The estimated fiscal impact of all provisions in this Bill is currently unknown and will be based on the number of districts eligible to receive supplementary weighting for whole grade sharing and joint employment, as well as the number of districts that start or continue to make progress toward reorganization.

However, based on the assumptions and DE analysis, whole grade sharing and joint enrollment weightings alone may generate approximately $1.2 million per year in State aid and $150,000 per year in property taxes from FY 2021 to FY 2023. These figures do not include reorganization incentives or State aid for uniform levy incentives.

Sources

Department of Education
Department of Management
LSA Calculations

/s/ Holly M. Lyons

January 30, 2019

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.
