

**EIGHTY-SIXTH GENERAL ASSEMBLY
2016 REGULAR SESSION
DAILY
SENATE CLIP SHEET**

FEBRUARY 10, 2016

SENATE FILE 2092

S-5003

1 Amend Senate File 2092 as follows:

2 1. Page 1, after line 21 by inserting:

3 <Sec. _____. NEW SECTION. 257.17A Categorical
4 funding supplement uses – resolution.

5 1. For the school budget year beginning July
6 1, 2017, and succeeding budget years, the board of
7 directors of a school district, on or before May 15
8 preceding the budget year, may adopt a resolution
9 authorizing the school district to use, notwithstanding
10 any provision of law to the contrary, all or a portion
11 of the moneys received by the school district for
12 that budget year as the result of the teacher salary
13 supplement, the professional development supplement,
14 the early intervention supplement, and the teacher
15 leadership supplement for any school district general
16 fund purpose.

17 2. Within ten days of adopting the resolution under
18 subsection 1, the board of directors of the school
19 district shall file a copy of the resolution with
20 the department of management and the department of
21 education.

22 Sec. _____. CODE SECTION 257.8 – IMPLEMENTATION.
23 The requirement of section 257.8, subsection 2,
24 regarding the subject matter limitation of bills
25 establishing the categorical state percent of growth
26 does not apply to this Act.>

27 2. Title page, line 2, by striking <2017> and
28 inserting <2017, and relating to the use of categorical
29 funding supplements>

30 3. By renumbering as necessary.

By BRAD ZAUN
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S-5003 FILED FEBRUARY 9, 2016
RULED OUT OF ORDER



SF 2092 – Categorical Supplemental State Aid FY 2018 (LSB5963SV)
Analyst: John Parker (Phone: (515) 725-2249) (john.parker@legis.iowa.gov)
Fiscal Note Version – New

Description

Senate File 2092 requires a 4.0% State percent of growth rate to be applied to each of the State categorical cost per pupil amounts for FY 2018.

Background

The State cost per pupil amounts in FY 2018 will depend on the growth rate established for FY 2017. The table below assumes a 4.0% growth rate for FY 2017 that is included in **SF 175** State Categorical Supplemental State Aid FY 2017). The State categorical supplements are funded entirely through State aid and generate funds for each school district and area education agency (AEA) through the school aid formula on a per pupil basis. The FY 2017 State cost per pupil funding levels for the teacher salary supplement (district and AEA), professional development supplement (district and AEA), and early intervention supplement (district only) will be increased by a 4.0% State percent of growth for FY 2018. Additionally, FY 2018 will be the third year that the teacher leadership supplement (TLS) for the Teacher Leadership and Compensation System will be included in the school aid formula. The TLS will provide funding to all students in the State. The following table provides the per pupil growth amounts and State cost per pupil amounts for FY 2018 based on **SF 175** and **SF 2092**.

State Categorical Supplements	FY 2016 State Cost Per Pupil	FY 2017 State Percent of Growth	Supplemental State Aid	FY 2017 State Cost Per Pupil	FY 2018 State Percent of Growth	Supplemental State Aid	FY 2018 State Cost Per Pupil
Teacher Salary - Districts	\$ 555.47	4.00%	\$ 22.22	\$ 577.69	4.00%	\$ 23.11	\$ 600.80
Professional Development - Districts	62.91	4.00%	2.52	65.43	4.00%	2.62	68.05
Early Intervention	68.53	4.00%	2.74	71.27	4.00%	2.85	74.12
Teacher Leadership	312.68	4.00%	12.51	325.19	4.00%	13.01	338.20
Teacher Salary - AEAs	29.07	4.00%	1.16	30.23	4.00%	1.21	31.44
Professional Development - AEAs	3.39	4.00%	0.14	3.53	4.00%	0.14	3.67

Additionally, there is a budget guarantee provision for each of the State categorical supplements that 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.

Assumptions

Estimates are based on enrollment projections for FY 2018 and a 1.0% increase in special education weightings compared to FY 2017.

Fiscal Impact

The estimated total fiscal impact of **SF 2092**, including the provisions in **SF 175**, will be a General Fund expenditure of \$541.0 million to fund the FY 2018 State categorical supplement amounts. This is an increase of \$73.0 million (15.6%) compared to estimated FY 2017. This estimate includes \$163.6 million for the TLS for FY 2018. The following table provides the detail of the funding levels for each of the State categorical supplements.

Estimated Funding Levels				
	District Amount FY 2018	AEA Amount FY 2018	Total Amount FY 2018	FY 2018 vs. FY 2017
Teacher Salary Supplement				
Unadjusted Amount - District	\$ 290,320,259	\$ 16,393,689	\$ 306,713,948	
Budget Guarantee Amount - District	74,042	2,214	76,256	
Total Amount - District	\$ 290,394,301	\$ 16,395,903	\$ 306,790,204	\$ 11,786,392
Professional Development				
Unadjusted Amount - District	\$ 32,907,984	\$ 1,919,794	\$ 34,827,778	
Budget Guarantee Amount - District	7,073	238	7,311	
Total Amount - District	\$ 32,915,057	\$ 1,920,032	\$ 34,835,089	\$ 1,340,590
Early Intervention Supplement				
Unadjusted Amount	\$ 35,813,624	NA	\$ 35,813,624	
Budget Guarantee Amount	5,583	NA	5,583	
Total Amount	\$ 35,819,207	NA	\$ 35,819,207	\$ 1,371,873
Teacher Leadership Supplement				
Unadjusted Amount	\$ 163,563,439	NA	\$ 163,563,439	
Budget Guarantee Amount	3,376	NA	3,376	
Total Amount	\$ 163,566,815	NA	\$ 163,566,815	\$ 58,458,016
All State Categorical Supplements				
Total Unadjusted Amount	\$ 522,605,306	\$ 18,313,483	\$ 540,918,789	
Total Budget Guarantee Amount	90,074	2,452	92,526	
Total State Categorical Supplement	\$ 522,695,380	\$ 18,315,935	\$ 541,011,315	\$ 72,956,871
Note: Contact the LSA for more information				

Sources

Iowa Department of Education, Certified Enrollment file and Enrollment Projections file
Iowa Department of Management, School Aid file
Iowa Association of School Boards
LSA analysis and calculations

/s/ Holly M. Lyons

February 9, 2016

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 2093 – School Supplemental State Aid FY 2018 (LSB5962SV)

Analyst: John Parker (Phone: (515) 725-2249) (john.parker@legis.iowa.gov)

Fiscal Note Version – New

Description

Senate File 2093 requires a 4.0% State percent of growth rate to be applied to each of the regular school aid State cost per pupil amounts for FY 2018.

Background

The State cost per pupil amounts in FY 2018 will depend on the growth rate established for FY 2017. The table below assumes a 4.0% growth rate for FY 2017 that is included in **SF 174** (School Supplemental State Aid FY 2017). The school aid formula provides funding through a mix of State aid and property tax to school districts and Area Education Agencies (AEAs). In general, funding is generated on a per pupil basis with the per pupil amounts providing an overall budget limitation. There are five FY 2018 State cost per pupil funding levels that will be increased by a 4.0% State percent of growth for FY 2018. 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 2018 based on a 4.0% growth rate. The supplemental State aid amounts will be applied to all corresponding district and AEA cost per pupil amounts.

Regular School Aid Per Pupil Components	FY 2016 State Cost Per Pupil	FY 2017 State Percent of Growth	Supplemental State Aid	FY 2017 State Cost Per Pupil	FY 2018 State Percent of Growth	Supplemental State Aid	FY 2018 State Cost Per Pupil
Regular Program	\$ 6,446.00	4.00%	\$ 258.00	\$ 6,704.00	4.00%	\$ 268.00	\$ 6,972.00
Special Education Program	6,446.00	4.00%	258.00	6,704.00	4.00%	268.00	6,972.00
AEA Special Education Support	283.02	4.00%	11.32	294.34	4.00%	11.77	306.11
AEA Media Services	52.76	4.00%	2.11	54.87	4.00%	2.19	57.06
AEA Educational Services	58.23	4.00%	2.33	60.56	4.00%	2.42	62.98

In addition to the State percent of growth and supplemental State aid for FY 2018, 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.

Assumptions

Assumptions include:

- Estimates are based on Department of Education enrollment projections for FY 2018 and a 2.0% increase in preschool weightings.
- The FY 2018 supplementary weightings 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, a 10.0% increase for operational sharing weightings, and a 5.0% increase in all other supplementary weightings.
- Statewide taxable valuation growth of 4.54% for FY 2017 and 3.9% for FY 2018. Based on these assumptions, the statewide total for the uniform levy is estimated to account for \$34.5 million of the school foundation property tax change in FY 2018 (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.

- Teacher Leadership Supplement amounts for FY 2017 and FY 2018 include districts receiving grants in FY 2015 and FY 2016 through the Education Appropriations Subcommittee. In FY 2018, the Teacher Leadership Supplement estimate assumes all remaining districts will receive grants for FY 2017. In FY 2018, all districts will be funded through the School Aid formula.
- 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 through the school aid formula. The fiscal impact in the following table includes the provisions in [SF 174](#) (School Supplemental State Aid FY 2017), [SF 175](#) (State Categorical Supplemental State Aid FY 2017), and [SF 2092](#) (State Categorical Supplemental State Aid FY 2018). These provisions are included in the State General Fund appropriation for school aid.
- 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 2018 State percent of growth will also impact the amount of funding generated for the Statewide Voluntary Preschool Program. Funding for the Program is provided by the State General Fund and is included in the overall State aid total.
- Districts eligible for the 101.0% budget adjustment will approve use of that provision. The Legislative Services Agency (LSA) estimate includes a total budget adjustment of \$1.6 million, based on the FY 2018 State percent of growth and budget enrollments.
- In FY 2018, the additional \$15.0 million State aid reduction to AEAs implemented in FY 2016 will be restored.

Fiscal Impact

The following table provides the estimated fiscal impact of [SF 2093](#), and includes the provisions in [SF 174](#), [SF 175](#), and [SF 2092](#):

- A total General Fund expenditure for State school aid in FY 2018 of \$3,369.5 million, an increase of \$188.7 million (5.9%) compared to estimated FY 2017. 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).
 - \$49.4 million in property tax replacement payment (PTRP) funding, an increase of \$0.1 million compared to estimated FY 2016.
 - Based on [SF 2092](#), \$541.0 million for the State categorical supplements, an increase of \$73.0 million (15.6%). This includes \$306.8 million for the teacher salary supplement, \$34.8 million for the professional development supplement, \$35.8 million for the early intervention supplement, and \$163.6 million for the teacher leadership supplement (new school aid funding provision beginning in FY 2016).
 - \$82.3 million for the preschool formula funding, an increase of \$4.7 million compared to estimated FY 2017. The preschool formula funding is included in the State aid amount, but it is not included in the combined district cost total.
 - The combined district cost (reflecting the total school aid funding level for school districts and AEAs generated through the school aid formula), is estimated to increase \$249.1 million (5.5%) compared to estimated FY 2017. Any legislative action impacting FY 2017 school aid provisions will have an impact on FY 2018 school aid amounts. Additionally, any variations in the assumptions noted may result in significant changes in the FY 2018 estimates provided in the following table.

Legislative Services Agency: Estimated FY 2017 and FY 2018 School Aid Estimates (Statewide Totals in Millions)							
		4.00% SCPP: \$ 6,704 \$258 Increase			4.0% SCPP: \$ 6,972 \$268 Increase		
Statewide	FY 2017 Estimates Assumes 4.00% State Percent of Growth				FY 2018 Estimates Assumes 4.0% State Percent of Growth		
Program Funding:	FY 2016	Totals	Est. Change	% Change	Totals	Est. Change	% Change
Regular Program District Cost	\$ 3,110.0	\$ 3,252.1	\$ 142.0	4.6%	\$ 3,382.9	\$ 130.8	4.0%
Regular Program Budget Adjustment	16.3	3.2	-13.1	-80.1%	1.6	-1.7	-50.9%
Supplementary Weighting (District)	81.5	90.3	8.8	10.8%	98.7	8.4	9.3%
Special Education Instruction (District)	398.7	421.7	22.9	5.8%	442.9	21.2	5.0%
Teacher Salary Supplement (District)	267.8	279.3	11.5	4.3%	290.4	11.1	4.0%
Professional Development Supplement (District)	30.3	31.7	1.3	4.3%	32.9	1.3	4.0%
Early Intervention Supplement (District)	33.0	34.4	1.4	4.3%	35.8	1.4	4.0%
Teacher Leadership Supplement (District)	50.2	105.1	55.0	109.6%	163.6	58.5	55.6%
AEA Special Ed Support District Cost	153.7	160.9	7.2	4.7%	167.6	6.7	4.1%
AEA Special Ed Support Adjustment	1.7	0.9	-0.8	-44.3%	0.6	-0.4	-41.8%
AEA Media Services	27.2	28.4	1.2	4.5%	29.5	1.1	4.0%
AEA Ed Services	30.0	31.4	1.4	4.5%	32.6	1.3	4.0%
AEA Sharing	0.1	0.0	-0.0	-48.1%	0.0	0.0	3.9%
AEA Teacher Salary Supplement	15.0	15.7	0.7	4.5%	16.4	0.7	4.3%
AEA Professional Development Supplement	1.8	1.8	0.1	4.7%	1.9	0.1	4.2%
AEA Statewide State Aid Reduction	-22.5	-7.5	15.0	-66.7%	-7.5	0.0	0.0%
Dropout and Dropout Prevention	107.0	107.6	0.6	0.5%	116.3	8.7	8.1%
Combined District Cost	\$ 4,302.0	\$ 4,557.1	\$ 255.0	5.9%	\$ 4,806.1	\$ 249.1	5.5%
State Aid:							
State Aid from General Fund - Itemization							
Regular Program	\$ 1,898.5	\$ 1,987.1	\$ 88.6	4.7%	\$ 2,067.4	\$ 80.2	4.0%
Supplementary Weighting	71.0	78.6	7.7	10.8%	86.0	7.3	9.3%
Special Education Weighting	347.6	367.6	20.1	5.8%	386.2	18.6	5.0%
State Categorical Total	398.1	468.1	69.9	17.6%	541.0	73.0	15.6%
AEA Special Education Support Services and Sharing	121.5	127.3	5.7	4.7%	132.4	5.1	4.0%
AEA Statewide State Aid Reduction	-22.5	-7.5	15.0	-66.7%	-7.5	0.0	0.0%
Other Property Tax Adjustments	1.2	0.0	-1.2	-100.0%	0.0	0.0	
Property Tax Adjustment Aid (1992)	9.1	8.7	-0.4	-4.5%	8.4	-0.3	-3.9%
Property Tax Replacement Payment (PTRP)	31.1	49.2	18.2	58.4%	49.4	0.1	0.3%
Adjusted Additional Property Tax - General Fund	24.0	24.0	0.0	0.0%	24.0	0.0	0.0%
Statewide Voluntary Preschool Program	73.3	77.6	4.3	5.8%	82.3	4.7	6.1%
State Aid from General Fund	\$ 2,952.9	\$ 3,180.8	\$ 227.9	7.7%	\$ 3,369.5	\$ 188.7	5.9%
Excess from SAVE Fund	6.3	9.5	3.2	50.7%	9.5	0.0	0.2%
Total State Aid (Includes Non-General Fund)	\$ 2,959.2	\$ 3,190.3	\$ 231.1	7.8%	\$ 3,379.0	\$ 188.7	5.9%
Local Property Tax:							
Uniform Levy Amount	\$ 813.0	\$ 848.8	\$ 35.8	4.4%	\$ 883.3	\$ 34.5	4.1%
Additional Levy Total	604.2	595.6	-8.6	-1.4%	624.2	28.6	4.8%
Comm/Ind - Uniform Levy Replacement	20.6	19.9	-0.7	-3.3%	20.7	0.8	4.1%
Comm/Ind - Additional Levy Replacement	16.3	15.0	-1.3	-8.2%	15.8	0.8	5.0%
Total Levy to Fund Combined District Cost	\$ 1,380.3	\$ 1,409.4	\$ 29.1	2.1%	\$ 1,470.9	\$ 61.5	4.4%
Miscellaneous Information:							
Budget Enrollment	480,771.9	483,450.9	2,679.0	0.6%	483,629.3	178.4	0.0%
Number of Districts with Budget Adjustment	162	57	-105	-64.8%	35	-22	-38.6%
Percent of Districts with Budget Adjustment	48%	17%			10%		
AEA Funding	\$ 207.0	\$ 231.8	\$ 24.8	12.0%	\$ 241.2	\$ 9.4	4.1%

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 9, 2016

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.



HF 2092 – Internal Revenue Code (IRC) Coupling (LSB5654HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – As passed by the House

Description

House File 2092 generally conforms Iowa's tax laws with changes to the federal Internal Revenue Code (IRC) made since January 1, 2015. The coupling is temporary and applies only to tax year 2015. The Bill does not couple with the federal tax provision known as "bonus depreciation."

The Bill is effective on enactment and applies retroactively to January 1, 2015.

Background

Since January 1, 2015, the only significant federal tax changes were enacted as part of **H.R. 2029** (Consolidated Appropriations Act, 2016). This Act became law December 18, 2015. While many of the provisions were made a permanent part of the federal IRC, some tax provisions were extended through 2016 and others through tax year 2019. The extended provisions will require future federal action if they are to continue beyond the new expiration date.

Of the newly permanent provisions, the most significant from a fiscal impact perspective is the extension and enhancement of favorable depreciation accounting known as "Section 179 expensing." This provision allows business taxpayers (including corporate taxpayers and business entities taxed through the individual income tax) to write off additional depreciation in the year a qualified depreciable asset is placed in service. Since the provision accelerates the claiming of depreciation, the provision reduces taxes owed in the first year, but increases taxes owed in later years.

The one federal change that **HF 2092** does not conform with is known as "bonus depreciation." Bonus depreciation provides a similar benefit for more expensive depreciable assets. Iowa has not coupled with federal bonus depreciation provisions in the past.

The estimated fiscal impact was not included in the December 10, 2015, Revenue Estimating Conference (REC) since the federal legislation was not enacted until after the REC meeting.

Assumptions

The conformity impact estimates were calculated by the Iowa Department of Revenue using national estimates available from the Joint Committee on Taxation.

Fiscal Impact

Federal **H.R. 2029** also impacts Iowa income tax revenue by reducing the Iowa income tax deduction for federal income taxes paid (both individual and corporate). The deductibility impact provides an automatic positive adjustment to State General Fund revenue. The positive adjustment is provided in the upper line of the following table. The deductibility impact estimates are provided here for reference. They are not a fiscal impact of this Bill.

HF 2092 makes changes to Iowa's tax laws for one tax year and is projected to reduce net General Fund revenue in FY 2016 and increase revenue in future fiscal years. The impact projections are provided in the lower line of the following table.

Deductibility and Conformity Revenue Impact Estimates

State General Fund

In Millions

	Status	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Deductibility Impact of Federal Changes to the Internal Revenue Code	Automatic	\$ 2.0	\$ 76.4	\$ 42.4	\$ 28.6	\$ 31.6	\$ 27.9
Conformity Impact of HF 2092	Requires State Legislation	\$ -97.6	\$ 10.1	\$ 16.2	\$ 11.7	\$ 9.5	\$ 8.2

Sources

Iowa Department of Revenue
United States Congress Joint Committee on Taxation

/s/ Holly M. Lyons

February 9, 2016

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.
