

RSAI Pre-Legislative Update Dec. 23, 2015

These updates are posted on the RSAI legislative web page at <http://www.rsai.org/legislative.html>.

The following provides analysis and status of several issues that were discussed at the Inequities Interim Committee, have been discussed by legislators with school leaders at home, or are still on the plate from the 2015 Session. Many of these are RSAI Legislative priority areas set by the RSAI annual meeting participants last fall. We will report weekly during the 2016 Legislative Session which begins on Jan. 11, including highlights of the Governor's state of the state speech and budget when released. We look forward to serving you during the 2016 Session and THANK YOU for all you do to advocate for Iowa's children! margaret.buckton@isfis.net P.S. *Wishing you a very safe, happy and peaceful holiday!*

State Budget: What is the percent and dollar amount of growth estimated by the Revenue Estimating Conference (REC) and definitions of new revenue?

REC estimate for FY 2016 is \$225.9 million growth in net state General Fund Revenues, or 3.3%.

REC estimate for FY 2017 is \$281.8 million growth in net state General Fund Revenues, or 4.0%

The Republican budget philosophy employed that last two years would restate new revenue differently, as new revenue remaining after built-in expenditures have been satisfied. When school aid was decided timely in the past, education funding was considered a built-in expenditure. In more recent history, the priority has been to meet other built-in requirements first, then set the cost per pupil within the remaining concept of new money. This philosophy takes any surplus off the table. For FY 2017, the most frequently discussed significant built-in expenditure include \$100 million TLC (\$50 million new grants and aging the year-two grants into the formula), the last \$25 million to fund the commercial industrial property taxes and any Medicaid increases. FY 2017 is the final year of TLC grants, so in each subsequent year, the TLC supplement per pupil will be included in the formula (unless a future House, Senate and Governor agreed to change it.)

What would the 99% expenditure limitation represent? The Governor is required to submit a budget that expends no more than 99% of available resources based on the December REC estimate – that limitation includes General Fund revenues and any surplus left over from the previous year. The last several years' of state budgets have come in below the 99% expenditure limitation, and with the Governor's veto of \$57 million for schools and other vetoes, well below the level agreed to by legislators. From LSA Graybook, "The FY 2015 General Fund surplus, prior to vetoes, is estimated to be \$285.4 million and the combined balances in the Cash Reserve and Economic Emergency Funds total \$696.4 million. In addition, the Taxpayers Trust Fund has a balance of \$8.1 million, which, by statute, is not a large enough balance to trigger a tax credit for qualified individuals for tax year 2015."

<https://www.legis.iowa.gov/docs/publications/FR/680615.pdf>

The Governor vetoed \$55 million in school one-time funding, which increased the surplus carried forward. The LSA Graybook continues: "The net impact of the Governor's vetoes increases the estimated FY 2015 General Fund surplus by \$78.9 million and the FY 2016 surplus by \$88.9 million. The table on the next page summarizes the impact of the Governor's vetoes on the General Fund budget."

The following chart from the LSA shows the details, including the FY 2017 expenditure limitation of \$7,708.4 million. The 99% expenditure limitation for FY 2017 is \$533.4 million above the enacted appropriation level of \$7,165.0 for FY 2016. If this full amount were appropriated, there would be less surplus carried forward, but still no impact on the state's fully stocked Economic Emergency Fund and Cash Reserve Fund.

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State of Iowa Summary of the General Fund Budget (Dollars in Millions)									
	FY 2015			FY 2016			FY 2017		
	Leg. Action	Gov Vetoes	Enacted	Leg. Action	Gov Vetoes	Enacted	Leg. Action	Gov Vetoes	Enacted
Funds Available:									
Net Receipts	\$ 6,767.4		\$ 6,767.4	\$ 7,175.5		\$ 7,175.5	\$ 7,462.5		\$ 7,462.5
Legislative Revenue Adjustments	0.0		0.0	9.2	2.0	11.2	4.0	2.0	6.0
Subtotal Receipts	<u>6,767.4</u>	<u>0.0</u>	<u>6,767.4</u>	<u>7,184.7</u>	<u>2.0</u>	<u>7,186.7</u>	<u>7,466.5</u>	<u>2.0</u>	<u>7,468.5</u>
Surplus Carryforward (Econ. Emer. Fund)	\$ 642.2		\$ 642.2	\$ 248.3		\$ 248.3	\$ 223.2		\$ 223.2
Carryforward from Governor's Vetoes					78.7	78.7		88.9	88.9
Veto of EEF State Appeal Board Approp.					3.0	3.0		3.0	3.0
Total Surplus Carryforward	<u>\$ 642.2</u>	<u>\$ 0.0</u>	<u>\$ 642.2</u>	<u>\$ 248.3</u>	<u>\$ 81.7</u>	<u>\$ 330.0</u>	<u>\$ 223.2</u>	<u>\$ 91.9</u>	<u>\$ 315.2</u>
Total Funds Available	\$ 7,409.6	\$ 0.0	\$ 7,409.6	\$ 7,433.0	\$ 83.7	\$ 7,516.7	\$ 7,689.7	\$ 93.9	\$ 7,783.7
Expenditure Limitation									
				\$ 7,360.6	\$ 83.7	\$ 7,444.2	\$ 7,614.5	\$ 93.9	\$ 7,708.4
Estimated Appropriations and Expenditures:									
Appropriations	\$ 6,994.3		\$ 6,994.3	\$ 7,175.2	- 3.5	7,171.7	\$ 2,423.5	- 0.3	2,423.2
Supplemental/Deappropriations	134.9	- 78.9	56.0						
Total Appropriations	\$ 7,129.2	\$ - 78.9	\$ 7,050.3	\$ 7,175.2	\$ - 3.5	\$ 7,171.7	\$ 2,423.5	\$ - 0.3	\$ 2,423.2
Reversions									
Operations	- 5.0		- 5.0	- 5.0		- 5.0	- 5.0		- 5.0
Item Vetoes					- 1.7	- 1.7		- 0.8	- 0.8
Net Appropriations	\$ 7,124.2	\$ - 78.9	\$ 7,045.3	\$ 7,170.2	\$ - 5.2	\$ 7,165.0	\$ 2,418.5	\$ - 1.1	\$ 2,417.4
Ending Balance - Surplus	\$ 285.4	\$ 78.9	\$ 364.3	\$ 262.8	\$ 88.9	\$ 351.7	\$ 5,271.2	\$ 95.0	\$ 5,366.3

Note: Numbers may not equal totals due to rounding.

What are the current options for DCPD equalization floating around? At what cost each? Funded from?

Three different proposals have been discussed to minimize or eliminate the disparity between the state cost per pupil which is the ceiling for 163 school districts and a higher district cost per pupil, which is as much as \$175 per student more, funded by local property taxes:

- 1) Allows districts at the lower state cost per pupil to locally determine if they would use cash reserve to fund spending authority granted at the highest DCPD level. Bills were introduced in the 2015 Session to start this discussion but did not advance due to concerns about property tax impacts down the road. [SBS 1254](#) is in the Senate Education Committee and [HSB 240](#), is in the House Ways and Means Committee.
- 2) Increases the cost per pupil by \$15 million a year, which would eliminate the disparity in an estimated 5-6 years, This proposal increases those districts on the lower end while holding those districts at the higher end harmless (actually providing property tax relief on the high end if funded completely with state dollars.) This proposal was presented to the Interim inequities study committee by UEN.
- 3) Increases the lower DCPD districts by \$20 per pupil until the SCDP gets up to the full \$175 (\$20 per pupil is just under \$10 million a year, so likely 9-10 years to fund.) Under this proposal, the state cost per pupil is increased \$20 per year from FY2016-2017 through FY2023-2024 and then an additional \$15 is added to the state cost per pupil in FY2024-2025, which results in the equalization of all district costs per pupil for all districts in the state. This proposal was presented to the Interim inequities study committee by IASB.

What proposals have been discussed for Transportation Equity?

In the 2015 Session, several bills were introduced in the House Education Committee, but did not advance to full committee discussion, including:

- [HF 84](#) Transportation Equity Levy, property tax or income surtax, local voter approval for 10 years for transportation costs above the state average.

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- [HF 250](#) Transportation State Aid, reimbursement for costs above the state average per pupil enrolled transportation cost, paid by the state
- [HF 320](#) Transportation Supplementary Weighting, provided through the foundation formula
- [HF 359](#) Transportation Levy: voters may approve levy for any transportation costs minus reimbursement for transporting nonpublic students
- [HF 431](#) Transportation Supplemental Weighting, graduated based on incremental expenditures above the state average transportation cost per pupil
- [HF 432](#) Transportation Aid per pupil, allocates \$15 million to districts with costs above the state average transportation cost per pupil

At the Interim Committee, IASB presented a proposal that phases in an additional weighting over a five-year period seeking to provide \$30 million in FY2016-2017 and increases that weighting until FY2020-2021 when the total funding would be \$150 million. Eliminates transportation funding from schools General Fund and creates a weighting based on a formula including enrollment and transportation costs.

The RSAI proposal is to appropriate an estimated \$25 million to buy down the highest transportation costs to not exceed the statewide average transportation cost per pupil.

Cost of moving to Smarter Balanced Assessments? The Assessment Tax Force received costing estimated, that the full Smarter Balanced Suite of formative assessments, instructional resources, and summative assessments will cost \$25-28 per student, in the neighborhood of \$10-12 per student more than the Iowa Assessments proposed. Since Smarter Balanced is also a suite of resources and tools: Interim and formative assessments and a digital library of resources for teachers, including model lessons and professional development, in some cases, schools will see cost savings if they decide to move to formative and interim assessments through Smarter Balanced rather than buying them separately. Will the state or school districts pay for the new assessments? Assessment costs in Iowa historically have been paid by a mix of state and federal dollars. It is likely that the future assessment system will also be paid for by a mix of state and federal dollars. If the Legislature appropriates funds for the Smarter Balanced Assessments, these dollars could be used to support in whole or in part the cost of the SBAC assessments.

Proposals regarding the State Penny:

The Senate last session approved [SF 477](#) which extends the sunset of the state penny until Dec. 31, 2049. The bill is assigned to the House Ways and Means Committee and does not address any change in the use of the funds. Although the Governor early this school year began suggesting a cap on the state penny per pupil cost, his current conversations have shown some change. The Governor's proposal presented to some superintendents in December 2015 is to allow the first \$10 million of state penny revenue increase to go to schools, with any additional revenue going to water quality.

Rep. Jorgensen has discussed freezing the amount of per pupil sales tax distribution at the FY 2016 (current amount of \$953 per pupil,) with revenue growth going to inequities in the school formula (DCPP inequality, transportation and property tax inequities.)

IASB presented to the Interim Committee several proposals regarding property tax inequity (although clarified that the Association had not vetted these through their process and was not presenting these as IASB supported proposals.) One of those proposals included an idea to increase the SAVE fund appropriation to the Property Tax Equity and Relief (PTER) fund which would provide more property tax equity but lower sales tax distributions per pupil for infrastructure.