



[HF 2613](#) – Supplemental State Aid (LSB6305HV)
Staff Contact: Ron Robinson (515.281.6256) ron.robinson@legis.iowa.gov
Fiscal Note Version – New

Description

[House File 2613](#) modifies and establishes provisions related to the funding of school districts, including establishing a State supplemental aid (SSA) amount based on a State percent of growth rate and the categorical State percent of growth rate for the budget year beginning July 1, 2024 (FY 2025), and provides for other changes to the school aid formula.

The Bill has three provisions with a fiscal impact. Those provisions do the following:

- Establish a 3.00% State percent of growth rate to be applied to the State cost per pupil (SCPP) for FY 2025, for an SSA of \$229 per pupil.
- Establish a 3.00% State percent of growth rate to be applied to each of the State categorical cost per pupil amounts for FY 2025.
- Provide additional property tax replacement funding based on the per pupil increase that results from the establishment of the State percent of growth in FY 2025. The Bill requires the additional levy portion of the FY 2025 SCPP amount to be frozen at \$685 per pupil, regardless of the per pupil increase for FY 2025.

This Bill specifies that the current requirements that allowable growth rates must be enacted within 30 days of the transmission of the Governor’s budget submission, which is required by February 1 during the regular legislative session, do not apply to this Bill.

The Bill takes effect upon enactment.

Background

State Cost Per Pupil. The school aid formula provides funding to school districts and Area Education Agencies (AEAs) through a mix of State aid and property taxes. In general, funding is generated on a per pupil basis, with the per pupil amounts providing an overall budget limitation (or spending authority). Five SCPP funding levels would be increased by a 3.00% State percent of growth for FY 2025 with the enactment of the Bill.

Figure 1 provides the SSA amounts (also referred to as per pupil growth amounts) and SCPP amounts for FY 2025 based on a 3.00% growth rate. The SSA amounts will be applied to all corresponding district and AEA cost per pupil amounts.

Figure 1 — HF 2613

FY 2025 State Cost Per Pupil Calculations

	FY 2024 State Cost Per Pupil	FY 2025 State Percent of Growth	FY 2025 Supplemental State Aid	FY 2025 State Cost Per Pupil
Regular Program	\$ 7,635	3.00%	\$ 229	\$ 7,864
Special Education Program	7,635	3.00%	229	7,864
AEA Special Education Services	333.59	3.00%	10.01	343.60
AEA Media Services	62.19	3.00%	1.87	64.06
AEA Education Services	68.63	3.00%	2.06	70.69

In addition to the State percent of growth and SSA amounts for FY 2025, enrollments, weightings, and taxable valuations within each school district have an impact on total school aid funding, including the amount of State aid and local property tax required to generate the total funding.

State Categorical Supplements. The State categorical supplements are funded entirely through State aid and generate funds for each school district and AEA through the school aid formula on a per pupil basis. The FY 2025 SCPP funding levels for the teacher salary supplement (district and AEA), professional development supplement (district and AEA), early intervention supplement (district only), and teacher leadership and compensation (TLC) supplement (district only) will be increased by a 3.00% State percent of growth for FY 2025. **Figure 2** provides the per pupil growth amounts and SCPP amounts for FY 2025 based on the Bill.

Figure 2 — HF 2613

FY 2025 State Categorical Cost Per Pupil Calculations

	FY 2024 State Cost Per Pupil	FY 2025 State Percent of Growth	FY 2025 Supplemental State Aid	FY 2025 State Cost Per Pupil
Teacher Salary – Districts	\$ 654.68	3.00%	\$ 19.64	\$ 674.32
Professional Development – Districts	74.15	3.00%	2.22	76.37
Early Intervention – Districts	80.76	3.00%	2.42	83.18
Teacher Leadership and Compensation – Districts	368.53	3.00%	11.06	379.59
Teacher Salary – AEAs	34.26	3.00%	1.03	35.29
Professional Development – AEAs	4.00	3.00%	0.12	4.12

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

Property Tax Replacement Payment (PTRP). 2013 Iowa Acts, chapter [121](#) (Education Reform), included the creation of the PTRP provision to replace local property tax amounts with State aid. The provision froze the additional levy portion of the SCPP at \$750; based on the State percent of growth impact during the intervening fiscal years, this provision created \$15 per pupil in property tax relief in FY 2014 and up to \$153 per pupil in FY 2022. The continual growth is a result of the requirement that the per pupil property tax relief of previous fiscal years be carried forward into future fiscal years.

2022 Iowa Acts, chapter [1001](#) (Supplemental State Aid — FY 2023), froze the additional levy portion of the SCPP at \$685 due to the Foundation Level increasing to 88.40% from 87.50%. House File 2613 will cause the additional levy portion of the SCPP to be \$685 in FY 2025.

The per pupil property tax relief amount will be based on the State percent of growth impact for FY 2025. **Figure 3** provides details regarding the SCPP funding levels as provided by a 3.00% growth rate for FY 2025 in the Bill.

Figure 3 — HF 2613

FY 2025 Property Tax Replacement Payment Calculation

	<u>FY 2024</u>	<u>Increase Due to Supplemental State Aid Rate</u>	<u>FY 2025</u>
Regular Program	\$ 7,635	\$ 229	\$ 7,864
Unadjusted Additional Levy	886	26	912
PTRP Portion	201	26	227
Fixed Additional Levy Portion	685	0	685

Transportation Equity Program. Iowa Code section [257.16C](#) establishes the Transportation Equity Program. The Program was created to provide additional funding to school districts for public school transportation costs that exceed a statewide adjusted average cost per pupil. Unless otherwise provided, the appropriation increases by the categorical State percent of growth. Transportation equity payments may buy down transportation costs to the statewide average cost per pupil for providing transportation to public schools. If funding permits, school districts with transportation costs per pupil below the statewide average will receive transportation base funding payments on a per capita basis.

Assumptions

- Estimates are based on October 2023 certified enrollments and supplementary weightings for FY 2024, which were approved by the School Budget Review Committee (SBRC) in December 2023.
- A statewide taxable valuation growth rate of 4.73% for FY 2025 was agreed upon by the Legislative Services Agency (LSA) and the Department of Management. Based on this assumed rate, the statewide total for the uniform levy is estimated to account for an increase of \$49.3 million (4.52%) toward the school foundation property tax change in FY 2025. The estimated increase in the uniform levy amount is not affected by the establishment of the State percent of growth rate. Property tax adjustment aid amounts are based on the statewide taxable valuation growth factor applied to each school district's FY 2025 taxable valuation amount.
- Total State aid includes funding from the State General Fund and other funds appropriated or deposited in the Property Tax Equity and Relief (PTER) Fund, which is used to provide additional property tax relief through the school aid formula.
- Establishing an FY 2025 State percent of growth rate will also affect the amount of funding generated for the Statewide Voluntary Preschool Program. Funding for the Program is provided by State General Fund dollars and is included in the overall State aid total.
- Districts eligible for the 101.00% budget adjustment will approve the use of that provision.
- Other legislation may have an impact on the amount of State aid and property tax generated through the school aid formula.
- The General Fund appropriation to the Transportation Equity Fund will increase by approximately \$0.9 million. The appropriation may grow at the same rate as the categorical SCPP rate in subsequent years.

Fiscal Impact

Figure 4 provides the estimated fiscal impact of the Bill. These provisions include:

- A \$7.5 million reduction¹ in State aid to the AEAs as specified in Iowa Code section [257.35\(2\)](#).
- \$129.1 million in PTRP funding, an increase of \$14.3 million (12.47%) compared to FY 2024.
- \$627.1 million for the State categorical supplements for school districts and AEAs, an increase of \$34.4 million (5.80%) compared to FY 2024. This includes:
 - \$355.2 million for the teacher salary supplement at the district and AEA levels.
 - \$40.3 million for the professional development supplement at the district and AEA levels.
 - \$41.5 million for the early intervention supplement.
 - \$190.1 million for the TLC supplement.
- \$91.9 million for preschool formula funding, an increase of \$1.6 million (1.81%) compared to FY 2024. The preschool formula funding is included in the State aid amount but is not included in the combined district cost total.
- \$10.9 million in budget adjustment funding for 116 qualifying districts, an increase of \$5.4 million (99.67%) compared to FY 2024. The budget guarantee adjustment is calculated at the school district level so that school districts receive 101.00% of their previous year's funding. The budget guarantee adjustment is funded entirely through property taxes.
- The total property tax funds generated through the school aid formula are estimated to be \$1,730.4 million, an increase of \$46.5 million (2.76%) compared to FY 2024.
- The total State aid from the General Fund (reflecting the total school aid funding level for school districts and AEAs generated through the school aid formula) is estimated to be \$3,814.2 million, an increase of \$146.7 million (4.00%) compared to FY 2024. Any legislative action affecting FY 2025 school aid provisions may have an impact on school aid amounts. Additionally, any variations in the assumptions noted may result in changes in the FY 2025 estimates provided in **Figure 4**.

The total General Fund appropriation in **Figure 4** provides the additional fiscal impact of HF 2613. This also includes the FY 2025 General Fund appropriation of \$31.3 million to the Transportation Equity Fund, which is not included in the total State aid estimate.

¹ Since FY 2018, the General Assembly has further reduced funding to AEAs by an additional amount per year. Historically, the additional reductions have been included in the annual Standing Appropriations Act.

Figure 4 — HF 2613

Legislative Services Agency: FY 2025 School Aid Estimates (Statewide Dollars in Millions)

State Percent of Growth	3.00%	Statutory AEA Reduction	\$	7,500,000
State Supplemental Aid	\$ 229	Additional AEA Reduction		0
State Cost Per Pupil	\$ 7,864	Total AEA Reduction	\$	7,500,000
Program Funding:	FY 2024	Est. FY 2025	Est. Change	% Change
Regular Program District Cost	\$ 3,719.3	\$ 3,808.9	\$ 89.5	2.41%
Regular Program Budget Adjustment	5.4	10.9	5.4	99.67%
Supplementary Weighting (District)	120.7	129.0	8.2	6.81%
Special Education Instruction (District)	524.9	539.4	14.5	2.76%
Teacher Salary Supplement (District)	317.9	336.5	18.6	5.85%
Professional Development Supplement (District)	36.0	38.1	2.2	5.99%
Early Intervention Supplement (District)	39.1	41.5	2.4	6.04%
Teacher Leadership Supplement (District)	179.4	190.1	10.7	5.96%
AEA Special Ed Support District Cost	185.3	189.8	4.5	2.45%
AEA Special Ed Support Adjustment	0.6	0.7	0.1	18.02%
AEA Media Services	32.3	33.1	0.8	2.46%
AEA Ed Services	35.7	36.6	0.9	2.45%
AEA Sharing	0.2	0.0	-0.2	-100.00%
AEA Teacher Salary Supplement	18.2	18.6	0.5	2.69%
AEA Professional Development Supplement	2.1	2.2	0.1	2.68%
AEA Statewide State Aid Reduction	-29.6	-7.5	22.1	-74.63%
Dropout and Dropout Prevention	144.2	144.2	0.0	0.00%
Combined District Cost	\$ 5,331.5	\$ 5,512.1	\$ 180.6	3.39%
Statewide Voluntary Preschool Program	\$ 90.2	\$ 91.9	\$ 1.6	1.81%
State Aid:	FY 2024	Est. FY 2025	Est. Change	% Change
Regular Program	\$ 2,078.3	\$ 2,105.4	\$ 27.1	1.30%
Supplementary Weighting	103.4	110.5	7.1	6.82%
Special Education Weighting	463.3	476.2	12.8	2.77%
Property Tax Adjustment Aid (1992)	6.8	6.5	-0.3	-4.39%
Property Tax Replacement Payment (PTRP)	114.8	129.1	14.3	12.47%
Adjusted Additional Property Tax - General Fund	24.0	24.0	0.0	0.00%
Statewide Voluntary Preschool Program	90.2	91.9	1.6	1.81%
State Aid from General Fund	\$ 3,667.4	\$ 3,814.2	\$ 146.7	4.00%
Transfer from Economic Emergency Fund	\$ 21.9	\$ 0.0	\$ -21.9	-100.00%
*Excess from SAVE Fund	25.3	29.0	3.7	14.45%
Foundation Base Supplement (FBS)	5.7	9.7	4.0	69.30%
Total State Aid (Includes Non-General Fund)	\$ 3,720.1	\$ 3,852.8	\$ 132.8	3.57%
Local Property Tax:	FY 2024	Est. FY 2025	Est. Change	% Change
Uniform Levy Amount	\$ 1,091.5	\$ 1,140.9	\$ 49.3	4.52%
Additional Levy	592.4	589.5	-2.9	-0.49%
Total Levy to Fund Combined District Cost	\$ 1,683.9	\$ 1,730.4	\$ 46.5	2.76%
Comm/Ind - Uniform Levy Adjustments	18.0	18.3	0.3	1.59%
Miscellaneous Information:	FY 2024	Est. FY 2025	Est. Change	% Change
Budget Enrollment	486,476	483,699	-2,777	-0.57%
State Cost Per Pupil	\$ 7,635	\$ 7,864	\$ 229	3.00%
Number of Districts with Budget Adjustment	71	116	45	63.38%
Percentage of Districts with Budget Adjustment	21.85%	35.69%		
Statewide Categoricals Total	\$ 592.7	\$ 627.1	\$ 34.4	5.80%
Property Tax Relief Payment Per Pupil	201	227	26	12.94%
Foundation Base Supplement Per Pupil	2	10	8	400.00%
Statewide AEA Funding	244.9	273.6	28.7	11.73%
Transportation Equity Fund	30.3	31.3	0.9	3.00%

Notes:

Totals may not sum due to data duplication and exclusion. For example, other funds are provided by State Aid but not included in the State Aid section because they are represented in the Program Funding section listed above. The Transportation Equity Program is not included in State Aid totals. The provision for minimum State aid requires that the State provide at least \$300 per student.

Area Education Agencies (AEA)

*Secure an Advanced Vision for Education (SAVE) Fund

Sources: Department of Management (School Aid File), LSA analysis and calculations

Sources

Department of Education, Certified Enrollment and Enrollment Projections File
Department of Management, School Aid File
Department of Revenue
LSA analysis and calculations

/s/ Jennifer Acton

February 21, 2024

Doc ID 1447060

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.

www.legis.iowa.gov