



## BILL SUMMARY

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# HF 2140

# FY 2010 - School Finance Allowable Growth

Status of Bill: House Calendar  
Committee: Education  
Floor Manager: Rep. Roger Wendt  
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### BACKGROUND

Under Iowa's school finance laws, school districts receive a defined budget that is a combination of state aid and local property tax revenues. The school aid formula distributes funding on a per pupil basis. Schools receive an annual increase in that per pupil allocation, which is referred to as allowable growth. Allowable growth for the 2008-2009 school year has been set at 4.0%, which is estimated to provide a \$107.8 million increase in state aid and a \$28.8 million increase in property taxes. This means the school finance formula will generate \$2.236 billion in state aid and \$1.16 billion in property taxes for K-12 schools for FY 2009. This increases the state cost per pupil from \$5,333 to \$5,546, an increase of \$213 per pupil.

The Legislature will be setting the allowable growth for the 2009-2010 school year with this bill. The Legislature has 30 days from the time the Governor submits his budget recommendations to the legislature to enact an allowable growth bill. Since the Governor's budget was released on January 15<sup>th</sup>, the legislature has until February 14<sup>th</sup>.

### SUMMARY

The bill sets allowable growth for the 2009-2010 school year at 4.0%, which is estimated to provide \$112.6 million in state aid and \$45 million in property taxes in FY 2010. At a 4% growth rate, the state cost per pupil will increase from \$5,546 to \$5,768, an increase of \$222 per pupil. This growth rate is consistent with the Governor's recommendations.

Included in the state aid for the 2009-2010 is the addition of preschool foundation aid for the first round of grantees. This is an additional \$33 million in state aid to the districts on top of the \$112.6 million. The money is not combined with K-12 state aid however.

Total K-12 state aid for the 2009-2010 school year would be \$2.349 billion, and the local property tax total is \$1.6 billion. State aid accounts for two thirds of the monies for the K-12 school districts. Property tax increases are due to the assessed valuations increasing. The overall combined district costs are \$3.5 billion, including the \$33 million in preschool foundation aid.

The following table shows various levels of funding for different allowable growth rates for FY 2010:

<b>FY 2010 – For 2009-2010 School Year</b>			
<b>Allowable Growth</b>	<b>Increased State Aid</b>	<b>Increased Property Taxes</b>	<b>Schools on Budget Guarantee</b>
6.0%	\$169.7	\$51.9	78
5.0%	\$140.9	\$47.9	97
<b>4.0 %</b>	<b>\$112.6</b>	<b>\$45.1</b>	<b>112</b>
3.0%	\$83.8	\$44.7	142
2.0%	\$55.5	\$47.8	185
1.0%	\$26.7	\$55.6	229
Source: Legislative Service Agency			

## **AMENDMENTS**

**H-8007** by Paulsen (R-Linn) – Allows the department of management to direct the department of education to pay for the increase in property tax out of the general fund. This would mean that the increase of \$45.1 million in property taxes would be paid as state aid instead of by the local taxpayers.

**H-8011** by Mascher (D-Johnson) – Encourages public employers in the State of Iowa to pay a competitive living wage.