



IOWA HOUSE DEMOCRATS

BILL AND AMENDMENT SUMMARY

District Cost Per Pupil and Transportation Inequity SF 455

Status of Bill: House Calendar, with Committee Amendment
Committee: Education (21-1) Appropriations (16-9)
Research Analyst: David Epley; (515) 281-6367; david.epley@legis.iowa.gov

Lead Democrat: Winckler
Floor Manager: Dolecheck

Background

The bill addresses two problems within the school funding formula: 1) the District Cost Per Pupil (DCPP) Inequity, and 2) transportation funding inequity. The DCPP disparity stems from the 1970s, when the state adopted its school aid formula. At that time, a DCPP was calculated and the State Cost Per Pupil was the average DCPP. In 1989, when the Legislature rewrote the school aid formula, it was decided to bring districts below the State Cost Per Pupil up to that level. They also brought those districts with a district cost per pupil more than 5% above the State Cost Per Pupil down to 5%. The variance in DCPP is currently less than 3%. This difference has allowed some district to spend at a higher level, which is made up entirely from property taxes. Over 170 of Iowa's 333 school districts have a higher DCPP than the State Cost Per Pupil ranging from \$1 over the State Cost Per Pupil to \$175 more. This does **NOT** provide these districts with more state school aid dollars. It provides them more spending authority above the State Cost Per Pupil that is made up in local property taxes.

On transportation costs, due to the large area that school districts have to cover, and some spots of the state that have geological features where rivers do not have bridges with direct routes over them, there is a significantly higher transportation cost per student than more compact districts. This translates into less money provided for educational needs of students. The average cost per student transported ranges from a low of \$259 to a high of \$3,347.

Bill Summary of SF 455 as Originally Passed the Senate in 2017

District Cost Per Pupil Equity

SF 455 changes to the state cost per pupil to adjust for the inequities. It adds to the statewide cost per pupil after the annual calculation of Supplemental State Aid (SSA) to close the gap between the highest district costs per pupil and the statewide cost per pupil. The increase will be phased in over 10 years beginning in FY 2018:

- In FY 2018, \$5 would be added.
- In FY 2019, an additional \$10 would be added (totaling \$15).
- In FY 2020 to FY 2027, an additional \$20 would be added annually (totaling \$175) and eliminating the difference between the highest district costs per pupil and the statewide cost per pupil.

School districts below the newly established statewide cost per pupil would receive additional funding under the current formula (\$1 of property taxes for every \$7 of state aid). School districts above the newly established statewide cost per pupil would receive state aid to supplant property tax dollars under the current formula (for every \$8 of increase in the statewide cost per pupil, these districts would supplant \$7

property tax dollars with state aid dollars). **All** school districts benefit under this plan with either property tax relief, or the raising of the State Cost Per Pupil.

If There is Incomplete Data, DOM Adjustment

Due to the long-term implications that may include issues with unforeseeable data issues, the original SF 455 contains language that if a school district established as the result of a reorganization does not have sufficient data for the calculation of amounts required under the bill, the Department of Management (DOM) is required to use estimated data from prior budget years from each district involved in the reorganization until amounts can be calculated using actual data for the reorganized school district. This provision is included in H-8010.

At full implementation, all school districts in the state would have a district cost per pupil equal to the statewide cost per pupil. NOTE: If HF 2230 passes, the State Supplemental Aid Bill for FY 2019, the current State Cost Per Pupil of \$6,664 would raise by 1% to \$6,731. If SF 455 is implemented for FY 2019, that would raise the State Cost Per Pupil to \$6,736.

Transportation Funding Equity

The second part of SF 455 addresses transportation costs through the creation of an additional supplementary weighting to offset the cost of transportation per pupil to help equalize the amount of per pupil funding each district is able to spend in the classroom, and neutralize transportation costs.

The supplementary weighting will be phased in equally, starting at 10% in FY 2018 to 100% in FY 2027, and will be calculated using these factors:

- The three-year average of costs incurred for the transportation of students as required under Chapter 285, excluding those paid from PPEL and SAVE, at a 90% factoring.
- The district's budget enrollment at a 5% factoring.
- The district's route miles at a 5% factoring.

All 333 districts would be assisted by bill, not just those with transportation costs above the statewide average.

DOM Adjustment and Eligibility to Receive Transportation Aid from License Plates

If there is incomplete transportation cost data makes the implementation of the transportation equity piece of the bill impractical, DOM, in consultation with the Department of Education, and the Legislative Services Agency, is required to establish procedures and modified methodologies for calculating supplementary weighting and funding amounts. School districts receiving supplementary weighting under the program does not make them ineligible for transportation assistance from school license plates granted by the School Budget Review Committee (code section 321.34 (22)). Funding provided under the transportation supplementary weighting program is required to be deposited in the school district's general fund, and may be used for any general fund purpose. These provisions are in SF 455 but is not in amendment H-8010 since it is a one-time appropriation, and not an additional supplemental weighting to the school aid formula.

Both sections of SF 455 was set to take effect upon enactment.

Fiscal Impact

From the 2017 Fiscal Note on SF 455, the Cost per pupil inequity funding part for FY 2018 would be a \$2.87 million increase General Fund increase. The transportation funding piece would cost \$11.26 million in FY 2018. For the combination under both programs, State aid would increase in FY 2018 by \$14.1 million. For the 10-year total, the DCPPI inequity would equal \$88.4 million. The Transportation piece would cost would be \$130.1 million. The combined total over 10 years would be \$203.9 million.

Amendment Summary H-8010

District Cost Per Pupil Equity

The amendment performs the same action on the State Cost Per Pupil to adjust for the inequities as SF 455. However, the additional statewide cost per pupil after the annual calculation of SSA would only be for one year. For FY 2019, \$5 would be added. NOTE: If HF 2230 passes, the State Supplemental Aid Bill for FY 2019, the current State Cost Per Pupil of \$6,664 would raise by 1% to \$6,731. If implemented under the amendment for FY 2019, that would raise the State Cost Per Pupil to \$6,736. H-8010 does not initiate any additional property tax relief as the original SF 455 does.

Examples

Applying the HF 2330 level of a 1% increase here are some examples of how some districts are effected:

1. Sioux City and Davenport and other districts where their DCPD matches the State Cost Per Pupil, at 1% for FY 2019, their DCPD would increase to \$6,731. Under the amendment, it would increase to \$6,736.
2. A district in the middle example would be Gidden-Ralston. Their DCPD at 1% becomes \$6,734. With the amendment it becomes \$6,736. They get \$3 picked up in what would have been property taxes from their DCPD and \$2 new dollars to reach the adjusted State Cost Per Pupil.
3. On the low end example of a district with a higher DCPD, would be if H-8010 were adopted, Logan Magnolia would be \$1 above the State Cost Per pupil at \$6,737.
4. Districts at the highest spending authority above the State Cost Per Pupil would still be Hudson, LuVerne, Stratford and Twin Rivers. Now they would be \$170 above the State Cost Per Pupil, and not \$175. Their top rate is \$6,906.
5. The new range of the District Cost per pupil (above the State cost per pupil), would be \$1 above (Logan Magnolia) at \$6,737 to \$170 above (Delwood, Hudson, LuVerne, Stratford, and Twin Rivers) at \$6,906.

Transportation Funding Equity

H-8010 addresses the districts with the highest transportation cost inequity, and not every school district will receive transportation assistance. If a school district exceeds the statewide adjusted transportation cost per pupil determined by DOM, through a formula, a portion of \$11.2 million in one-time money will be distributed. Instead of providing assistance to all school districts over 10 years on transportation costs, the amendment will buy down for 1-year a total of \$11.2 million, to the highest transportation cost districts to an amount of \$432 per pupil transported. Since the amount is insufficient to pay all transportation base funding payments, the amount is prorated to that \$432 level. The current average transportation cost per pupil state wide is \$314. (See spread sheet.)

Fund Created

Due to the one-time appropriation, a transportation equity fund is created as a separate fund in the State Treasury. For each fiscal year that there is an appropriation to the fund, DOM will receive funds for distribution. The amendment specifies that in the distribution from DOM, if sufficient data is not available to pay all transportation base funding payments, the amount will be prorated. So a district does not receive more than their transportation costs are, there is a provision that clarifies that a district cannot receive an amount exceeding their actual transportation costs.

Appropriation

The amendment appropriates \$11.2 million into the fund it creates, the Transportation Equity Fund. The appropriation is only for FY 2019.

Both sections of H-8010 take effect upon enactment.

Fiscal Impact

The fiscal impact for one year, FY 2019, is the same for the first year under the original SF 455. The Cost per pupil inequity funding part for FY 2019 would be a \$2.87 million increase. The transportation funding piece would cost \$11.26 million in FY 2019.

H-XXXX to H-8010 by Winckler: Three-Year Plan

The amendment strikes the committee amendment, and brings back some provisions in the bill. The amendment does both the DCPD inequity piece and the transportation funding piece as part of an additional supplemental weighting plan. The amendment would enact the plan for three years, providing more a long-term solution, and help school districts plan. By contrast, H-8010 does only a one-year supplemental for the DCPD, and a one-time one-year appropriation for the transportation costs.

The amendment strikes out portions of SF 455 for both DCPD and Transportation inequity for the out years, so the amendment would do three years of funding. Under the amendment, the State Cost Per Pupil would increase by the following amounts:

- FY 2019, \$5
- FY 2020, \$10
- FY 2021, \$20

On the transportation inequity the funding for the three years would be as follows:

- FY 2019 an additional 10% is calculated into the budget year.
- FY 2020 an additional 20% is calculated into the budget year.
- FY 2021 an additional 30% is calculated into the budget year.

During the FY 2019 interim, is the regular time for Iowa to study any necessary changes that need to be made in the school aid formula. After two years, and by January 1, 2020 the Legislature will receive any recommendations for the school aid formula from that interim. The amendment adds that the interim committee would study the DCPD inequity and transportation costs, and make any recommendations for implementation if the three-year plan under the amendment were to pass.

The amendment keeps the original SF 455 language regarding the DOM making any proper adjustments on the DCPD part, and transportation costs. In addition, School districts receiving supplementary weighting under the program does not make them ineligible for transportation assistance from school license plates granted by the School Budget Review Committee (code section 321.34 (22)).

The amendment includes language that was in the Senate amendment to the State Supplemental Aid bill, HF 2230, that on the transportation inequity piece provided the increase on the State Cost Per Pupil, NOT the DCPD. This is done so the increase is not applied to districts with the higher DCPD rate, they would only be reimbursed at the State Cost Per Pupil rate.

Epley, David [LEGIS]\G:\Caucus Staff\depley\18 Session\Education\Bill and Amend Sum DCPD Transpo SF 455 2-19.docx\February 19, 2018\3:01 PM