



January 13, 2016

In Gov. Branstad's State of the State address Tuesday morning, he stated some good news about the condition of Iowa's economy:

- "Today, Iowa's unemployment rate has been cut nearly in half to 3.4%. Which is down from 6.1% five years ago. Iowa has the lowest unemployment rate since 2001. More Iowans are now employed than ever in our state's history.
- Iowa family incomes have grown 18.3% from 2010.
- We have seen over \$12 billion in private capital investment.
- We worked in a bi-partisan fashion last session to improve both Iowa's physical and digital infrastructure.
- And state K-12 education funding is up 35% since 2010." We believe some context would help understanding the last statement, "And state K-12 education funding is up 35% since 2010." State school foundation aid in FY10 was \$2,146.5 million (AKA \$2.147 Billion) and in FY16 State school foundation aid is \$2,950.3 million (AKA \$2.950 Billion). That's an increase of \$806.4 million, or 37.4% by our calculations. During that same time, the state cost per pupil was initially \$5,768 (FY10) and is now \$6,446 (FY16). This is an increase of \$678 per pupil, or 11.7% (note, well below the 18.3% family income growth and even further below the increase in state funding for schools.) How is that possible?
- State dollars replaced federal funds that buoyed up education and avoided state reductions in FY 2011. Schools received the federal dollars during the great recession which protected them.
- Property taxes that otherwise would have funded education have been reduced (PTER fund, one more year of ELL funding now at five years of service, and the state assuming what would otherwise be the property tax increase associated with an increase in the per pupil cost in both 2015 and 2016 are all good examples.) Additionally the \$5.40 uniform levy generates less due to tax increment financing diversion, now estimated in the neighborhood of \$55 million (increase of \$10 million since FY 2010.) Although the state is paying more, schools aren't receiving more net dollars to devote to educating students.

Governor's Budget Recommendation for FY 2016 Impacting Education Source: PRELIMINARY SUMMARY GOVERNOR'S FY 2017 BUDGET RECOMMENDATIONS, Legislative Services
Agency: <https://www.legis.iowa.gov/docs/publications/LAGRP/755567.pdf>

- **State Cost per Pupil:** LSA's tracking tables indicate that the 2.45% increase, at an increased appropriation of \$146.8 million. This is a percentage applied to the state cost per pupil, which is an increase of \$158 per pupil. The impact fiscal impact of transitioning the second year participating TLC districts from grant funding to formula funding is approximately \$50 million. Although its included in the \$146.8 million increased appropriation, the 2.45% increase applies to the per pupil cost.
- **TLC:** the third installment of Teacher Leadership and Compensation grants for the districts first participating in FY 2017 is included as a line item in the Department of Education budget at \$57.4 million.



- **ILO:** the governor recommends eliminating an appropriation to the Iowa Learning Online Initiative of \$1.5 million.
- An appropriation of \$740,214 for nonpublic textbook services, which is an increase of \$90,000 or 14% compared to FY 2016.
- An increase of \$3.1 million for Community Colleges General Aid, which is approximately 1.5% (the community colleges did not receive an increase in general aid in FY 2016.)
- An appropriation of \$576,000 for Teach Iowa Scholars, which is an increase of \$176,000 and level funding for Teacher Shortage Loan Forgiveness at \$392,452.
- **Property Tax Relief Phase-in:** An increase of \$25.0 million for the third installment of the business property tax credit and an increase of \$2.1 million for the commercial industrial property tax replacement, for a total of \$279.6 million in business property tax relief.
- **Fund Balances:** The governor's recommendation has an estimated combined reserve fund balance of \$737.6 million for FY 2017 (made up of the economic emergency fund and the cash reserve fund combined balances.) If you look at the balance sheet, the governor spends the state surplus down by \$70 million, but is still underspending by \$112 million (basically means the governor's budget results in a surplus of \$100 million) compared to the 99% expenditure limitation.
- **FY 2018 Education Funding:** The governor does not make a recommendation for FY 2018 increase in the state cost per pupil. Now that the last installments on TLC and commercial industrial property taxes are complete with this FY 2017 budget, the FY 2018 concept of revenue growth ought to normalize.

Extending the SAVE Fund: See the ISFIS memo to the field on Jan. 6 for additional information about the governor's plan to extend the state penny for school infrastructure and dedicate growth in excess of \$10 million annually to water quality. From the governor's press release this morning: [View a one page information sheet here](#)

HIGHLIGHTS:

- Gov. Branstad is calling upon the legislature to extend the Secure and Advanced Vision for Education or SAVE fund for 20 years.
- If extended, an estimated \$20.7 billion would be made available to local schools for infrastructure.
- If extended, schools would receive the first \$10 million annually in growth in addition to what they are already getting.
- If extended, a portion of the growth would be shared to help fund water quality efforts statewide.
- If extended, the plan will provide an estimated \$4.7 billion to fund water quality.