



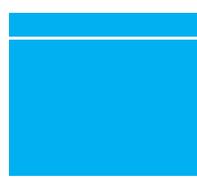
RSAI Legislative Update March 17, 2016

These updates are posted on the RSAI legislative web page at <http://www.rsaia.org/legislative.html>. Big news this week was REC revenue estimate, compromise on the federal tax code changes and subcommittee meeting on SAVE extension. Thanks for all you do to advocate for Iowa's children!
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RSAI Priorities: Transportation and district cost per pupil equity, both priorities of RSAI, are still part of the SAVE extension conversation. See below for details. School Funding for FY 2017 is still in conference committee, but we expect movement soon, following consensus on the tax code changes approved this week in the House and Senate. The RSAI [call to action on school funding](#) is still relevant as SSA has not been announced. Continue to talk to legislators about the need to set adequate school funding. Also lean on the Education Coalition publication regarding inflationary costs of school, posted the issue on the RSAI legislative page: [Education Funding and the Cost of Doing Business](#).

REC March Estimate: The Revenue Estimating Conference met on Wed., March 16, and set their [estimate](#) which maintains the FY 2016 revenue estimate, increases the FY 2017 estimate by \$30 million, and sets a new out-year estimate of 4.1% growth for FY 2018. Highlights concerning the Iowa economy from the REC members:

- **Holly Lyons, LSA:** Iowa economy is lackluster, but not in or heading into a recession. Low growth was already accounted for in the December estimate. The positives include a 3.5% unemployment rate, nonfarm economy expansion (just slightly lower than last year), wage and salary income forecasts and total personal income forecasts are higher. Recovery continues with steady slow growth. LSA is cautiously optimistic it will continue.
- **David Roederer, DOM:**
 - Continue to see a global slow down (China and Europe) which impacts exports. Russia difficulties – could keep sanctions on which puts that whole area closer to recession.
 - USA has a strong dollar, which makes our exports less competitive. National indicators are improving, but the mid to low income households haven't started to feel it. Wages are increasing at the rate of inflation. Numbers will look better but until it gets to wage earners, will be a drag on the national economy.
 - In Iowa, agricultural economy is having an impact. Slow growth. Area of concern: Skilled workers. Signs of people wanting employees and layoffs – hopefully those match up. Corn price down 57% from high in 2012. Beans down 51%. Land values are starting to trend down slightly. Some signs its reversing but that depends on location. Strong dollar is going to have the biggest impact on us for some time to come.
 - Good news is that the economy continues to grow, but at a relatively slow rate.
- **David Underwood, Public Member:** One thing we need to realize, we are lucky. Iowa is **not** on the list of those states in recession or teetering. Four states (energy industry driven) are in recession. Three others at risk, energy and manufacturing, relative to strong dollar. I've seen a little weakness in the dollar, hope that exports will hold their own. Nationally, sentiment is associated with consumer spending. End of February, we are at a three-month low on consumer sentiment. Above 2011, but fallen in the past year. Iowa is lucky to have full employment. DOR comparing last year to this year, great to see significant wage gains unseen in prior years. Everything else but wages is down (interest and dividends). But wages drive income tax/GF revenue. Gives me confidence relative to the current fiscal year.



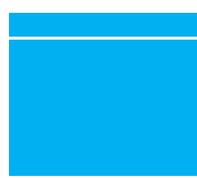
SAVE Fund Subcommittees; three bills that extend the state penny, along with other policies, are in the House Ways and Means Committee. A joint subcommittee was held today. Rep. Windschitl, chair of the subcommittees, first stated that they were working with the Governor to find another source of funding for water quality without diverting funds from school infrastructure/SAVE. Some concepts were discussed as starting points for policy discussion, including the following:

| Concept | RSAI Reaction |
|--|---|
| Extend Penny to 2049 | Support |
| Increase Property Tax Equity and Relief Fund from 2.1% to 7% of the total SAVE revenues to lower the highest additional levies in the state (increases from \$9.5 to \$31.6 million) | This is a better way to provide property tax relief than to create a separate property tax relief fund as originally proposed in HSB 548. |
| Determine statewide average total levy (\$13.76 for FY 2016) which includes: Foundation levy, additional levy, debt levy, board and voter-approved PPEL, management levy, ISL and cash reserve levy. If district levy is above the average, triggers voter approval. | The formula levies are automatic, reflective of the property value in the district supporting each student. Districts with low property value have little control over this part of the total rate (foundation, additional and ISL levies). If such a benchmark is to be used, it should be focused on the infrastructure levies. |
| If above-average tax rate, a 60% super majority is required for all bonded infrastructure projects. If below, don't need a vote. Does not apply to "pay as you go". | Yikes: 60% is a nonstarter. The supermajority was created years ago so the populous couldn't impose a tax on property owners, since there were fewer property owners. With a sales tax, everyone pays. The 50% vote on a revenue purpose statement is sufficient. OK with the pay as you go as needing no vote. |
| Exception: All projects for stadiums, athletic facilities, require vote. | Would be more comfortable with this requirement at the 50% simple majority standard. |
| All projects, regardless of levy rate, require a public hearing and are subject to a reverse referendum. | Would prefer this process used as extension of the revenue purpose statement too. |
| Excessive transportation or formula equity flexibility for the school board to direct SAVE funds for these purposes. | RSAI testified that these are critical needs for school districts. That including this flexibility would be beneficial in the short term, but the state would still need to solve these inequities in the long term or the disparity will just shift back to infrastructure and technology. |

The conversation will continue. Please let us know if you have concerns about our understanding of the above and how it would impact your district. Meanwhile, check out this guest opinion editorial, [End Funding Inequality for Iowa Schools](#), by a student in Davenport regarding foundation formula equity, in today's Quad City Times. Thanks Madison Cousins!

Compromise Tax Code Changes HF 2433: This compromise bill was approved in the House 79 in favor 18 opposed and received support of all 50 senators. The bill goes to the Governor. It accomplishes three things:

- 1) Conforms Iowa's tax laws with some federal changes made in December. The coupling (Section 179) is temporary, applies only to tax year 2015 and is retroactive. The bill does not couple with the federal tax provision known as "bonus depreciation."
- 2) Rescinds DOR administrative rules scheduled to take effect July 1, 2016, exempting manufacturing inputs (generally supplies and replacement parts) from sales tax. This action is effective on enactment. RSAI provided testimony to the Department of Revenue and to the Legislative Administrative Rules Review Committee asking for these rules to be delayed so the Legislature have them rescinded.
- 3) Provides a more modest sales/use tax exemption for the purchase of items used in certain manufacturing, research and development, data processing or storage, or recycling activities (manufacturing supplies and replacement parts) and applies to purchases on or after July 1, 2016.



The impact on the state General Fund shows a reduction in the current fiscal year, but a strong increase in revenue every year down the road. Table 4 from the Legislative Services Agency's Fiscal Note shows the impact:

The list of bills impacting education that received action this week, are indicated below:

| | IRC Coupling | Administrative Rules Rescinded | Manufacturing Consumables Sales Tax Exemption | Total General Fund Impact |
|---------|-----------------|--------------------------------------|--|------------------------------------|
| FY 2016 | \$ -97.6 | \$ 0.0 | \$ 0.0 | \$ -97.6 |
| FY 2017 | 10.1 | 34.8 | -21.3 | 23.6 |
| FY 2018 | 16.2 | 35.9 | -22.4 | 29.7 |
| FY 2019 | 11.7 | 37.1 | -23.5 | 25.3 |
| FY 2020 | 9.5 | 38.3 | -24.5 | 23.3 |
| FY 2021 | 8.2 | 39.6 | -25.4 | 22.4 |
| FY 2022 | 6.7 | 40.9 | -26.2 | 21.4 |
| FY 2023 | 1.2 | 42.2 | -27.1 | 16.3 |

- HF 2264 Open Enrollment Athletic Participation:** this bill allows a student who has been subject to a founded case of bullying or harassment, to immediately participate in varsity athletic sports upon open enrollment to a new district. The district of residence determines if the case was founded. The Senate amended the bill to be immediately effective and sent it back to the House. RSAI is registered as undecided on the bill.
- HF 2268 PERB Records:** this bill would make records submitted to PERB regarding certification or decertification of the association to represent employees in collective bargaining, confidential records. The bill was approved by the Senate and now goes to the Governor.
- HF 2336 DE Technical Code Provisions:** This bill by the Iowa Department of Education, includes code corrections and clean-up language that is not substantive in policy context. The Senate approved it so next to the Governor. RSAI is registered as undecided.
- HF 2363 Closed Sessions:** this bill prohibits a governmental body from excluding a member of the body from a closed session. The bill includes an exception if a member has a conflict of interest. The bill requires confidentiality for closed sessions and sets penalties for government officials who break that confidentiality. The Senate amended to remove the penalties and sent the bill back to the House. RSAI is registered as undecided on the bill.
- HF 2364 Open Meetings:** this bill allows a governmental body to post an amended notice for a postponed meeting in order to meet public notice requirements and requires that such postponement be for good cause. The Senate approved the bill, so on to the Governor. RSAI is registered as undecided on the bill.
- SF 2297 Children's Mental Health:** this bill sets up a grant process for collaborative development of a plan for children's mental health services. The bill does not include an appropriation, but anticipates receiving grant funds to implement. RSAI is registered in support.

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