

Our Children, Our Future



Education Fact of the Week:

Revenues Known: Now is the Time

Revenue Estimating Conference:

The Revenue Estimating Conference (REC) met on March 19, 2015 and updated the estimated state general fund revenue amounts for FY 2015 and FY 2016 (the current and next fiscal year). Overall, they made the following revisions from the December estimates:

- Lowered the FY 2015 estimate by \$89.7 million compared to the December estimate. The net change is an increase of \$9.3 million when considering tax law changes made earlier in the Session. The new FY 2015 estimate is an increase of \$278.4 million (4.3%) compared to actual FY 2014 general fund revenues.
- Lowered the FY 2016 estimate by 38.3 million for economic reasons, but this amount was offset by federal tax coupling which increased the December estimate by \$19.2 million for a net change to state revenues of \$19.1 million. The new FY 2016 estimate represents an increase of \$408.1 million (6.0%) compared to the revised FY 2015 estimate.
- Members of the REC shared their rationale for the slight revisions:
Holly Lyons, Legislative Services Agency: sees solid USA and Iowa economic growth, slowing slightly at the national level but no cause for alarm. The [SF 126](#) revenue coupling with federal law changes is the only reason for the reduction in the LSA numbers.

David Underwood, Business consultant, public member: Similar comments to last December. Farm income is down about 30%, but that's not tremendously significant to the state individual income tax number. Good indicators in the economy overall buoy up our Iowa economy.

Dave Roederer, Department of Management (Governor's appointee): Watching the global economy, excess oil reserves, will lower input costs for agriculture (price of fertilizer for example), but that takes a while. Didn't factor in global oil price changes in Governor's estimate. I concur with my colleagues on their assessment of Iowa's growth. Most fundamentals are in pretty good shape.

What Does this Mean?

Since the March estimate for FY 2016 is lower than the December estimate, legislators must use the March number when working on FY 2016 budgets. Although the estimate did decrease, it was not a significant reduction compared to the \$7.19 billion total.

Now that the REC has set their estimate, it is likely that budget targets will be released soon. When the state cost per pupil is set in the prior legislative session, as Iowa law dictates, those budget targets are set already knowing the school aid funding level. Since the timing for setting school aid has been delayed, it is even more critical for legislators to keep school aid funding a priority as they begin their budget discussions.

Commitments:

Some legislators have communicated with constituents about existing commitments, including:

- The governor's budget accounted for the federal coupling and was \$172.9 (\$173.0) million below the legal 99% spending authority. In other words, the governor has money in his budget for an additional 4.9% to his current 1.25% SSA for a total of 6.15% for FY 2015-2016 which is more than the education coalition asked for Iowa's school children.
- \$50 million for teacher leadership and compensation grants;
- Another \$50 million within the formula to continue participation in those districts which began TLC July 1, 2014;
- Additional funds for Medicaid since the federal match rate has changed due to Iowa's improved economic condition; and
- \$133.7 million for the continued phase in of commercial/industrial property tax relief. (page 19, LSA analysis of Governor's Budget Recommendation)
<https://www.legis.iowa.gov/docs/publications/LAGR/620903.pdf>

Deadlines:

State and federal laws impose various deadlines on school districts involving budgeting, bargaining and staffing. Schools must follow the law and thoughtfully plan. Last week's [Education Facts](#) showed the many deadlines imposed. April 15 is the budget certification deadline, now less than one month away.

Now is the Time:

The Education Coalition calls on our Legislature and Governor to set at least a 4% growth rate per student for the 2015-16 school year, and set the 2016-17 rate at 6%.

Schools need sufficient notice to anticipate revenue, make timely staffing decisions, and thoughtfully plan to invest the funds wisely for student learning. The future of Iowa's students and our state's continued success depend on a solid investment in the priority of public education.

Brought to you by the joint efforts of Iowa Association of School Boards, School Administrators of Iowa, Iowa Area Education Agencies, Iowa State Education Association, the Rural Schools Advocates of Iowa, and the Urban Education Network of Iowa in support of adequate and timely school funding.

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