**Iowa State General Fund Surplus & FY 2023 SSA/Education Funding**

* **FY 2021 Surplus of $1.24 Billion**: $751 million higher than the REC estimate\*. LSA general fund balance sheet estimates $1.048 Billion surplus for FY 2022 and for FY 2023, $984.3 million surplus\*\*.
* **Where surplus goes:** The state’s Cash Reserve and Economic Emergency Fund balances are full (7.5% and 2.5% respectively). $963.1 million is transferred to the Taxpayer Relief Fund which is required to be spent on tax relief (Taxpayer Relief Fund balance is now $1.05 Billion.) A remainder of $233.3 million of the surplus is sent to the state’s General Fund and is available for expenditure\*
* **Pandemic Impact on SSA:** FY 2022 SSA of 2.4% plus the $10 per pupil of formula equity took $22.3 million in state dollars to fund, of which $11.6 million was for the property tax replacement payment (offset what would otherwise have been a property tax dollar to fund the 2.4% per pupil increase.) This 2.4% left 137 districts on Budget Guarantee for FY 2022. Declining enrollment was a driver for both budget guarantee and the very small state aid dollar increase; almost 6,000 fewer students were counted on Oct. 1, 2020 compared to the prior Oct. 1, at least somewhat due to the pandemic. See SF 269 [fiscal note](https://www.legis.iowa.gov/docs/publications/FN/1219454.pdf) for details.
* **SSA for FY 2023**: the costs to the state of SSA for FY 2023 will also be driven by enrollment. If a significant number of those nearly 6,000 students return, the state cost to pay for SSA will reflect that increase. LSA built-in expenditures estimates $98 million for zero SSA per pupil increase but we have not yet confirmed what enrollment that estimate assumes.
* **Costs of Mental Health Reform:** [SF 619](https://www.legis.iowa.gov/docs/publications/FN/1222907.pdf) offset the elimination of commercial and Industrial property tax replacement funding by raising the foundation level to 88.4%. This change alone, without any increase in enrollment, is estimated to cost $60 million state dollars in FY 2023.
* **Salary Increases and arbitration:** Changes to collective bargaining in 2017 limit arbitrator awards to the lower of 3% or the CPI Midwest index ([PERB](https://iowaperb.iowa.gov/impasse) reports 5.6% and 5.8% for November and December 2021 respectively.) Districts will be hard pressed to offer at least 3% base salary increases to avoid arbitration for FY 2023. Districts that don’t offer sufficient salary increases for all staff will lose them to the private sector which is clamoring for employees.
* **Federal Funds**: Although significant federal pandemic funding is available to Iowa school districts, it is distributed based on the Title I formula, so not all districts received significant funds. Those districts receiving significant federal funding have high poverty populations with exacerbated learning gaps due to the pandemic.
* **Education Workforce Shortage.** Although specific content areas such as science, math, special education, computer science, Spanish and CTE teachers are in short supply, school districts have unfilled positions of all kinds. Districts are struggling to find paraprofessionals for special education and other specific student needs and most districts lack enough substitutes to fill classrooms with teacher absences. Bus drivers are particularly scarce. The pandemic has worsened this situation, but many states have seen drops in numbers of teachers graduating from teacher preparation programs over the last decade. See ECS [50-State Comparison Teacher Recruitment and Retention](https://www.ecs.org/50-state-comparison-teacher-recruitment-and-retention/?utm_source=ECS+Subscribers&utm_campaign=b1850db46a-ED_CLIPS_09_07_2021&utm_medium=email&utm_term=0_1a2b00b930-b1850db46a-53613823) for pre-pandemic shortages and policies.
* Adequate SSA (at least a 3% increase) and state policy and programs to help with recruitment and retention are both necessary to provide Iowa students with everything they need for success. The quality of our future workforce and our state economy depend on it.