**RSAI Legislative Update
Feb. 23, 2018**

These updates are posted on the RSAI legislative web page, along with the weekly Capitol Recap Video, at <http://www.rsaia.org/legislative.html>.

This update includes news about RSAI priority issues and other bills getting attention in committee or floor debate. Senate Republicans move their tax overhaul bill out of committee, potentially reducing taxes by an estimate $1 billion. Quick debate of the state assessment bill in the House sends it to the Senate. This weekend, thank your legislators for forward progress on many of these priorities and share your concerns about others. Let us know if you need assistance with any of your advocacy work. Thanks for all you do to advocate for Iowa’s children. margaret@iowaschoolfinance.com

**No New SSA Action This Week – still pending.** Status:The House and Senate acted on State Supplemental Assistance by Feb.8, both proposing the FY 2019 state cost per pupil increase at 1%, including an increase of 1% for categorical funds and continuing the practice of the state assuming what would otherwise be the property tax contribution to the growth. The Senate, however, amended [HF 2230](https://www.legis.iowa.gov/legislation/BillBook?ba=HF%202230&ga=87) by adding the first year phase-in of transportation and formula equity (SF 455) through an amendment, which increased funding by $14 million, and sent it back. The House refused to concur in the Senate amendment, sending the bill back to the Senate. The 1% is estimated to provide $32 million in state funds, assuming continuation of the $15 million cut to AEAs. his is lower than the Governor’s budget recommendation, which was 1.5% or $54 million. Find the impact of 1% on your district with the ISFIS [FY2018 New Authority Report](http://www.iowaschoolfinance.com/system/files/members/Excel/New%20Authority%20Report%20FY%202019%201%25.xlsx). Statewide impact on schools:

* Sets a state cost per pupil of $6,731, which is an increase of $67 per student. This amount subjects 183 school districts to the 101% budget guarantee. 103 districts will experience a net reduction in funds available compared to FY 2018.
* The property tax relief payment (the amount that would be paid by property taxes if the normal working of the formula was not interrupted) costs the state $91 per student for a total of $52 million.
* The increased employer share of IPERS uses just over half of the per pupil increase statewide, leaving just under one half of one percent in real new authority for staff, technology, textbooks, transportation, utilities, insurance, program and course costs.

RSAI is registered as undecided on this level of funding, with school leaders grateful to have been spared in the deappropriations process so far, but still keenly aware that continued consecutive years of low funding increases are disappointing and more difficult to implement every year. Certainly, the addition of the first year of transportation and formula equality by the Senate is appreciated.

[**SF 2382**](https://www.legis.iowa.gov/legislation/BillBook?ba=SF2383&ga=87) **“Iowa Working Families Tax Relief Act”,** which is the Senate Republican tax relief bill, moved forward Thursday through subcommittee in the morning and a committee meeting in the afternoon. The Senate Ways & Means Committee passed on a 9 to 6 party-line vote. Republicans have been quoted in the media as saying that the bill could cut taxes by a $1 billion, with most provision effective Jan. 2019. There is not yet a fiscal note published for the bill, so these estimates have not yet been confirmed. If it truly is a net reduction of $1 billion, that would require an estimated 14% reduction in state general fund expenditures. Assuming schools are 43% of those expenditures and reductions would be applied proportionately, that would require a $430 million reduction in state support to school districts to balance the budget. **Provisions of the plan that reduce taxes:**

* Ends federal deductibility
* Reduces the number of brackets to five
* Reduces the top individual income tax rate to 6.3%.
* Reduces the top corporate rate to 7%
* Eliminates the alternative minimum tax
* Increases the exclusion for pension income from $12,000 to $20,000
* Increases the school tuition organization tax credit eligibility from 300% to 400% of the federal poverty level and increases the cap of the STO tax credits from $12 to $13 million.
* Expands 529 savings plans to include tuition and expenditures for private K-12 school.

**Revenue increases proposed in the bill include:**

* Establishes a sunset date or reduction of most tax credits (this includes repeal of the tuition and textbook tax credit). Many of the repeals have a future effective date of Jan. 1, 2022.
* Taxes online/Internet sales.s
* Taxes information and other services.

RSAI is registered opposed to the bill.

[**SF 455**](https://www.legis.iowa.gov/legislation/BillBook?ga=87&ba=SF%20455) **Formula and Transportation Equity** was amended and approved by the House and sent over to the Senate. The original Senate bill provides a 10-year commitment to eliminate both inequities. The House version provides $11.2 million for transportation for grants to school districts with the highest per pupil transportation costs and embeds $5 per pupil to increase the base of the state cost per pupil to close the formula equality gap to $170. The amendment does not set up a process or phase in period for closing the remaining $170 equity gap. RSAI is registered as undecided on the amended version, as this amendment does not significantly resolve formula equality and this transportation solution, although it helps many school districts including RSAI members, would not provide certainty for long-term transportation assistance. The current inequity disadvantages rural schools’ ability to provide staff and programs. This solution, although significant in terms of funding, may not be certain enough to commit rural resources to hiring staff or creating programs.

[**HF2438**](https://www.legis.iowa.gov/legislation/BillBook?ba=HF%202438&ga=87) **SAVE Extension:** this bill has been assigned a new number and is now in the House Ways and Means Committee. The bill accomplishes the following:

* Extends the SAVE/state penny for school infrastructure to 2050.
* Allows a maximum of 10% to be used for Property Tax Equity and Relief (PTER) fund purposes, phased in by an additional 1% a year for each year in which sales tax revenues grow at least 2%; when fully phased in, it totals about $47 million for property tax equity. The PTER fund was created with the original state penny bill in 2008 and buys down the highest school additional property tax levies in the state for those school districts with the lowest property values supporting each student.
* Requires a public hearing for bonding using the sales tax revenue. If the public does not support the school board’s direction, there is a reverse referendum process, which sets a window of 14 days during which time citizens may attempt to collect signatures the greater of 100 or 30% of those voting in the last election required to call for a vote. This provision starts for bonds sold after July 1, 2018.
* Increases the certificate of need threshold from a district with fewer than 250 students to districts with below 350 students, but adds a requirement that SBRC consider cost benefit of repairing existing facilities and impact on students.
* Requires all revenue purpose statements to expire in 2023.  New revenue purpose statements would have to be approved and that still requires a vote of the public.
* Requires public hearing and a reverse referendum (same process as above) on athletic facilities not connected to the school that are categorized as new construction. This does not include repair or maintenance of existing athletic facilities.

The RSAI supports the extension of the state penny for another 20 years and appreciates that the process has started. RSAI is registered in favor.

**The Budget: Deappropriations for FY 2018:** It is important to keep in mind that other entities depending on state funding are below prior year’s appropriation levels, such as community colleges and regents’ institutions and further impacted by proposed deappropriations for FY 2018. However, the House and Senate have not resolved their deappropriations differences. So far, neither the House nor Senate version directly impacts PK-12 school districts, but the DE is facing another cut, this time $1.7 million.

Further work on the FY 2019 budget is unlikely to proceed pending a resolution on FY 2018. The extension of the **operational sharing incentives,** [**HF 633**](https://www.legis.iowa.gov/legislation/BillBook?ga=87&ba=hf633), which is a priority for RSAI, is sitting in the Senate Appropriations Committee, likely not moving until these differences for 2018 are resolved. RSAI is monitoring this bill.

[**HF 2441**](https://www.legis.iowa.gov/legislation/BillBook?ga=87&ba=HF2441) **District Flexibility:** this bill removes the DE from the process of approving district dropout prevention plans, sets up a process for the SBRC to approve modified supplemental amount for districts to fund their plans, and includes other flexibility provisions. RSAI is registered in support. This bill is on the House Calendar.

**Other Bills Moving this week:**

[**SF 2137**](https://www.legis.iowa.gov/legislation/BillBook?ga=87&ba=SF2137) **School Bus Time a**llows 15 more minutes and process to publicly extend. RSAI supports. Approved by the Senate, so over to House Education.

[**HF 2235**](https://www.legis.iowa.gov/legislation/BillBook?ga=87&ba=HF2235) **State Assessment**: this bill mandates use of Iowa Tests (next iteration, so Next Gen) for state compliance with ESSA. RFP process selecting AIR3 was appealed. The Administrative Law Judge’s ruling released Feb. 14 affirmed that the DE and DAS followed the process. This bill was approved by the House 95:3 and is now over to the Senate Education Committee. RSAI is opposed, concerned that the Next Generation Iowa Tests have not yet been confirmed to align to Iowa Core standards. Without such alignment, Iowa’s state ESSA plan is at risk of failing peer review, placing $96 million in Title I funds on the line.

[**SF 2113**](https://www.legis.iowa.gov/legislation/BillBook?ga=87&ba=SF2113) **Suicide Prevention:** this bill requires one hour of suicide prevention training with certified staff licensure renewal. Passed 48:0 in the Senate, now over to the House.

[**SF 2131**](https://www.legis.iowa.gov/legislation/BillBook?ga=87&ba=SF2131) **Online Instruction:** this bill allows home school and private school students to access Iowa Learning Online courses for a fee. Passed the Senate, 48:0. Now in the House. RSAI is monitoring this bill.

[**SF 2155**](https://www.legis.iowa.gov/legislation/BillBook?ga=87&ba=SF2155) **Local operating Funds**: this bill allows local government fund balances in excess of 33% of operating funds to be invested in CDs. Approved in the Senate 48:0. RSAI is monitoring this bill.

[**SF 2274**](https://www.legis.iowa.gov/legislation/BillBook?ga=87&ba=SF2274) **Education Reports:** this bill requires DE to include state or federal citations authorizing them to collect data from school districts. Passed the Senate 37:11. RSAI is registered in favor.

[**HF 2419**](https://www.legis.iowa.gov/legislation/BillBook?ga=87&ba=HF2419) **Student Liaisons:** this bill requires school boards to appoint a student to a nonvoting role on school board, to serve as a liaison between the school board, staff, administrators, student council and the general student population. It is on House Calendar. RSAI is monitoring this bill.

[**SF 2359**](https://www.legis.iowa.gov/legislation/BillBook?ga=87&ba=SF2359) **Diversity Plans:** this bill prohibits school districts with diversity plans from regulating open enrollment out of the district. There are five districts with voluntary diversity plans, including Des Moines, Davenport, Waterloo, Postville and West Liberty. RSAI is registered opposed. The bill is on the Senate Calendar.

[**SF 2315**](https://www.legis.iowa.gov/legislation/BillBook?ga=87&ba=sf2315)**Open Enrollment**: this bill specifies which funds would follow the student, including categorical funds, but maintains local property taxes in the district of residence. The bill is in the Senate Appropriations Committee and was assigned a subcommittee of Senators Schneider, Danielson, and Greene. RSAI is registered as undecided on this bill.

 **Advocacy Actions this week:**

Senate Switchboard # 515.281.3371

House Switchboard # 515.281.3221

From links above or the legislative page <https://www.legis.iowa.gov/legislators> , find email addresses, home mailing address and home/work phone numbers for you legislators.

* Thank all 50 senators for continuing their push for solving the transportation and formula inequalities for school districts over the long haul.
* Contact House members and thank them for their forward motion on flexibility and state penny extension. Also thank them for their vote on moving SF 455 forward as amended, but encourage them to consider the long term commitment in their compromises with the Senate.
* State penny extension. Shore up members of the House Ways and Means Committee to support the bill and move it out of committee. See if your representatives are on this committee. [House Ways and Means Committee Membership](https://www.legis.iowa.gov/committees/committee?ga=87&groupID=683)
* Revisit the RSAI [School Choice Position Paper.](http://nebula.wsimg.com/449e52af3ba9f64925184531c7fb2291?AccessKeyId=D081CCCCA2DCE3941176&disposition=0&alloworigin=1) Thank your legislators if they committed to you that they opposed HSB 651. Although this bill is dead for this year in the House, it will not go away until Iowans are educated about the impact it has on public schools.
* Ask all House members to oppose [HF 2369](https://www.legis.iowa.gov/legislation/BillBook?ga=87&ba=hf2369), which restricts local government bond issues to only the November election. Delay in bond issue approval increases the costs of construction projects.
* Connect one parent in your district to Parents for Great Iowa Schools. <https://p4gis.org/> They are helping parents find their advocacy strength in prioritizing public schools, both in terms of funding and state policy.

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