



Day on the Hill— *One Voice for Iowa Students*

Advocacy & Alignment Workshop
January 27, 2025



2025 Legislative Session State of the Budget Day on the Hill



School Finance Contacts: Mike Guanci

Associate Executive of Government
Relations & School Finance

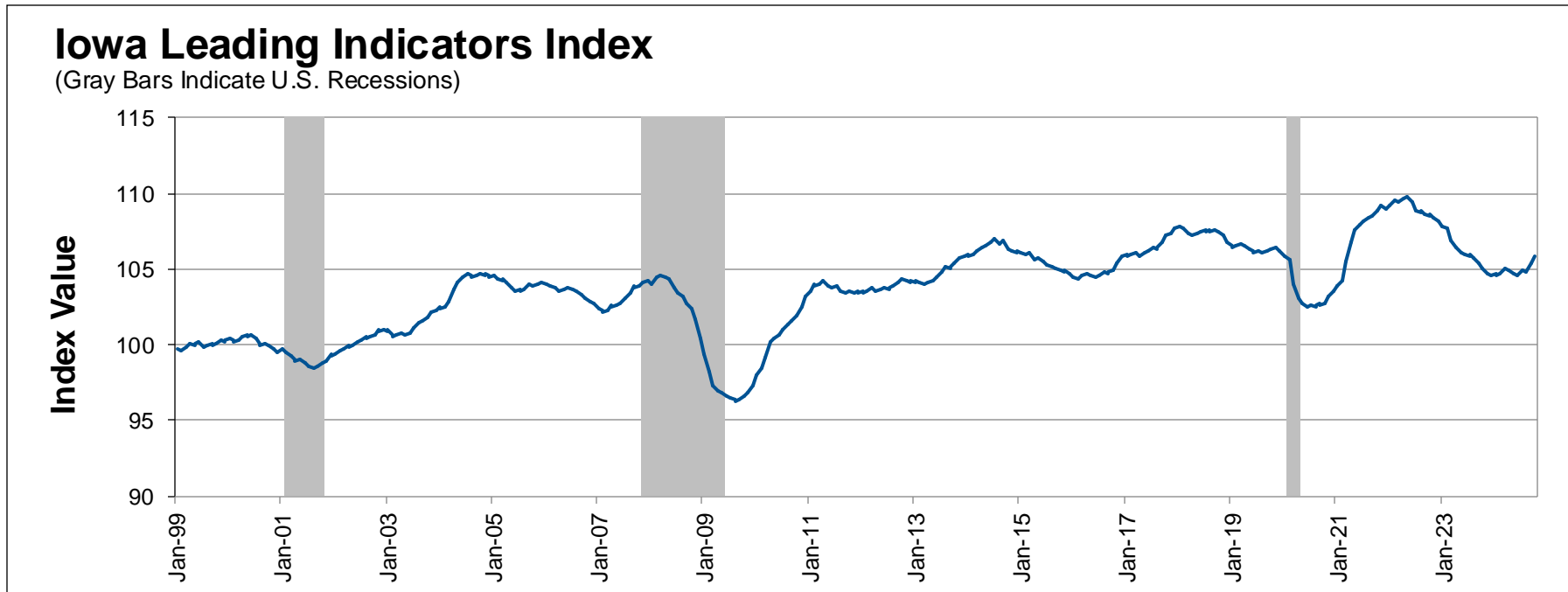
- Email: mguanci@ia-sb.org
- Phone: 515-247-7054



Iowa's Economy— Leading Indicators Index



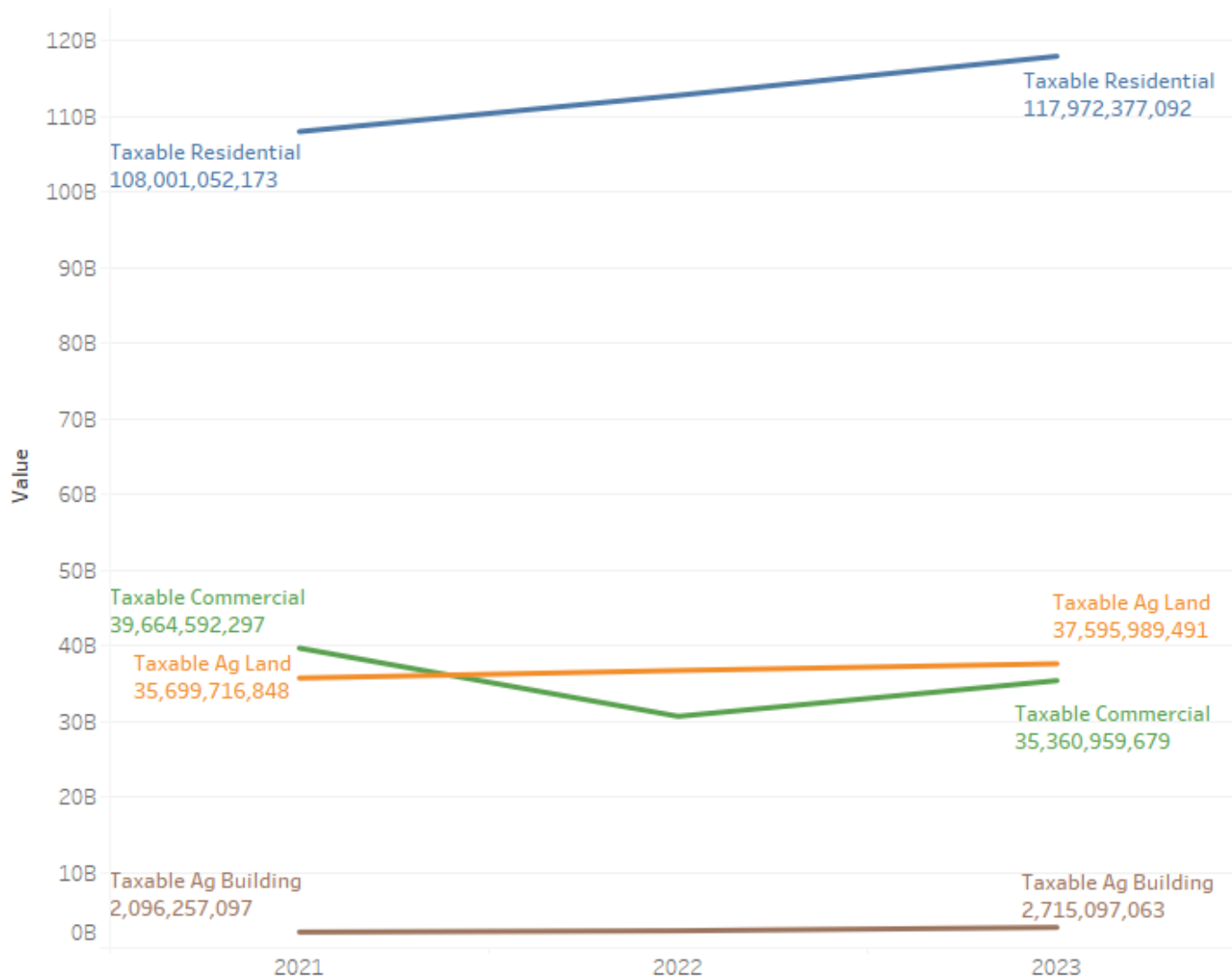
- Iowa's economic growth has remained resilient but modest.
- Iowa's Leading Indicators Index grew in the last two months.
- Housing Permits close to pre-recession levels.



Iowa's Economy — Property Valuations



Select Property Class Taxable Valuations by Assessment Year



Aggregated Assessment Year 2024 data is not available at this time.

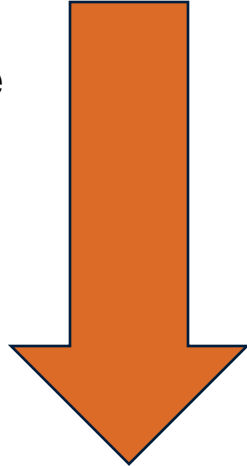
Taxable Valuations for Residential Properties continue to grow.

Sources: Department of Management, IASB analysis and calculations

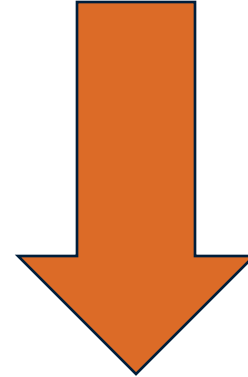
Iowa's Economy — Tax Cuts

Income tax law changes starting January 2025 will impact and continue to impact state general fund tax revenues in the future.

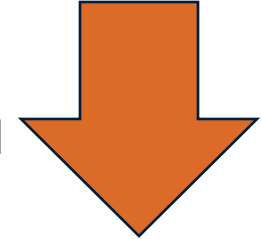
The Personal Income Tax Rate was reduced from a top rate of 5.7% to a flat rate of **3.8%**.



The Inheritance Tax was reduced from 2.0% to 0.0%, eliminating the tax.



Other reductions in the Insurance Premium Tax and the Franchise Tax.

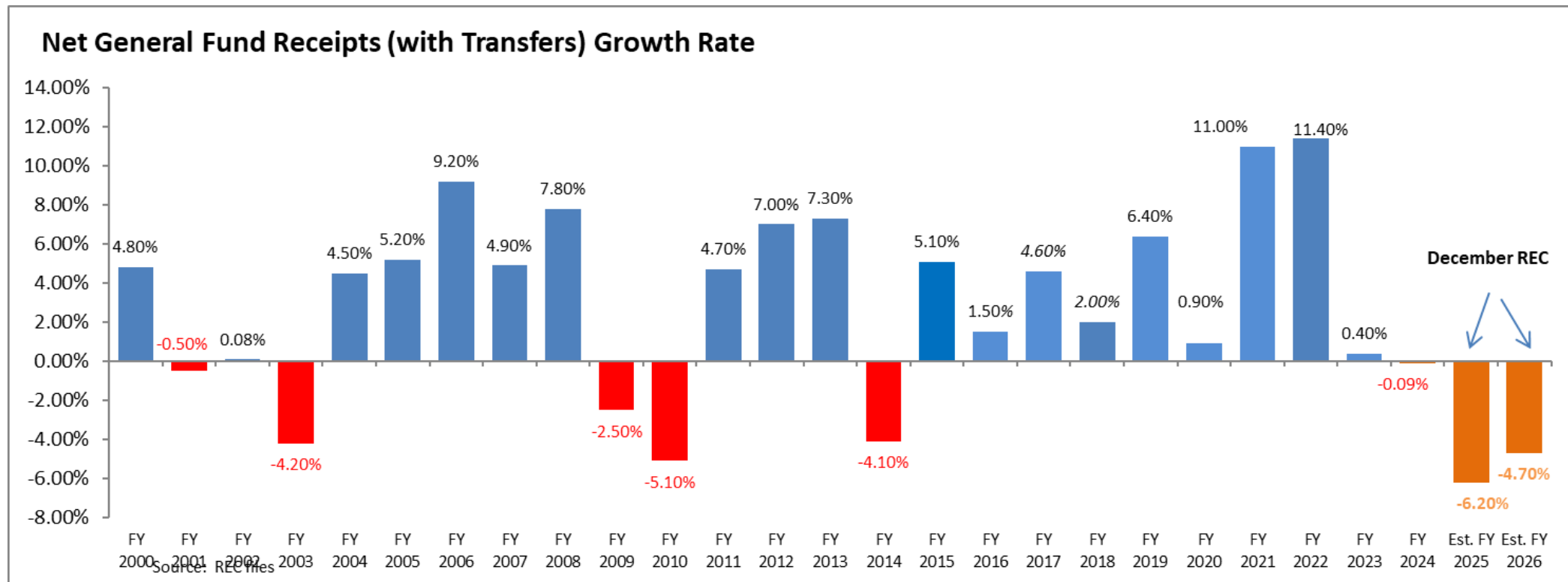


- Will they create additional economic growth?

December REC Estimates



- December Revenue Estimating Conference (REC) estimates:
 - Current fiscal year (FY 2025): Down \$602.2 million (-6.2%).
 - Next fiscal year (FY 2026): Down \$427.9 million (-4.7%).
 - Both years have built-in adjustments for income tax reductions that have been implemented recently.

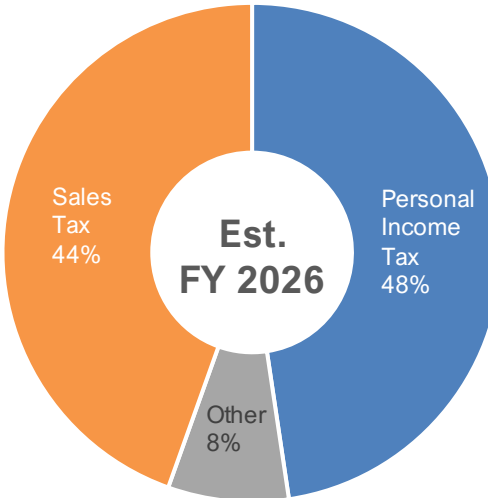
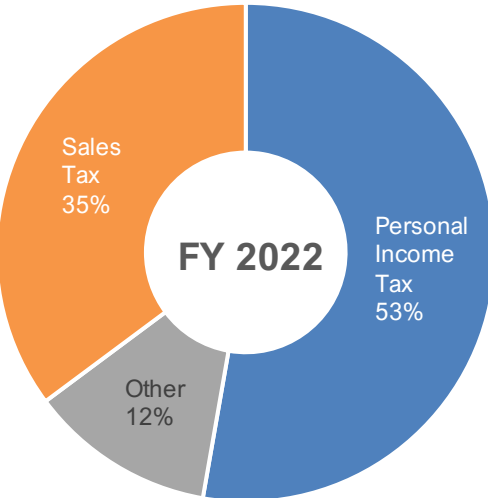


Iowa's Economy — General Fund Revenues

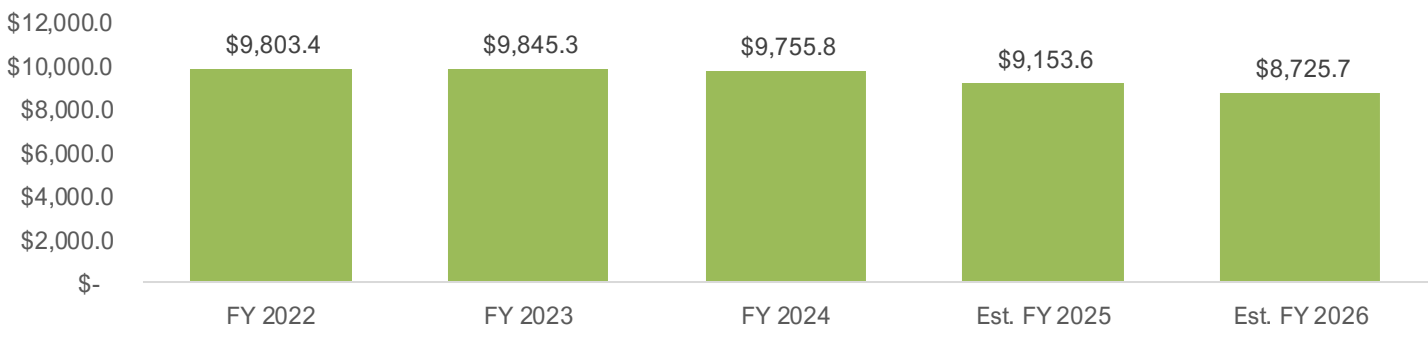


Fiscal Year	FY 2022	FY 2023	FY 2024	Est. FY 2025	Est. FY 2026	
Personal Income Tax	\$ 5,780.1	\$ 5,599.3	\$ 4,993.2	\$ 5,533.5	\$ 4,868.1	
Sales/Use Tax	3,853.7	3,937.1	4,170.4	4,364.0	4,551.7	
Corporate Income Tax	919.0	984.1	890.5	712.1	701.0	
Inheritance Tax	97.7	93.6	61.4	46.6	24.1	
Insurance Premium Tax	151.0	174.4	190.4	182.1	181.9	
Beer Tax	13.6	13.3	12.8	12.9	12.8	
Franchise Tax	72.4	92.5	96.5	105.0	109.9	
Miscellaneous Tax	68.7	190.0	868.0	-81.6	-230.5	
Total Tax Receipts	\$ 10,956.2	\$ 11,084.3	\$ 11,283.2	\$ 10,874.6	\$ 10,219.0	
Other Receipts	\$ 364.5	\$ 428.8	\$ 495.7	\$ 414.2	\$ 370.0	

Percent of Total Tax Receipts



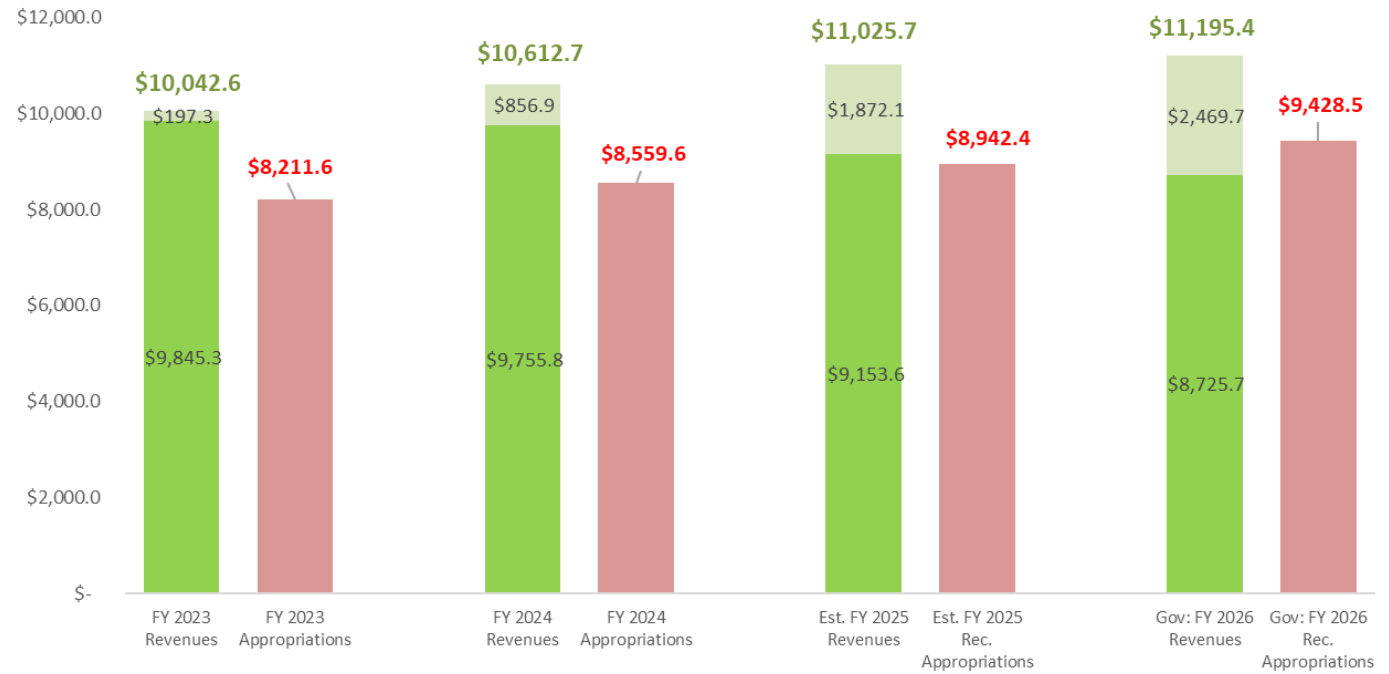
General Fund Net Receipts plus Transfers
dollars in millions



State Budget—General Fund Revenues/Appropriations



- FY 2026 Appropriation amounts are **above** ongoing revenues.
- In the past, the state hasn't used "surplus" dollars for ongoing expenses.



FY 2026 Expenditure Limit: \$10,756.7

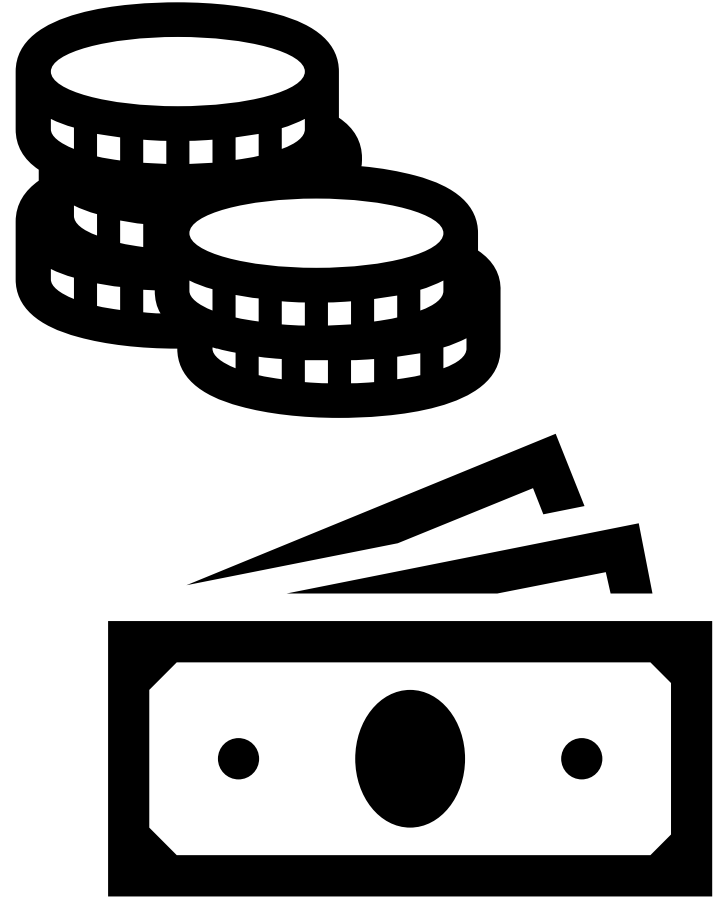
Fiscal Year	On-Going Revenues	Surplus		Total Available	Appropriations	Total Available vs. On-Going Revenues	
		Carryforward Amount	Total Available			Appropriations	vs. Appropriations
FY 2023	\$ 9,845.3	\$ 197.3	\$10,042.6	\$ 8,211.6	\$ 1,831.0	\$ 1,633.7	
FY 2024	\$ 9,755.8	\$ 856.9	\$10,612.7	\$ 8,559.6	\$ 2,053.1	\$ 1,196.2	
FY 2025*	\$ 9,153.6	\$ 1,872.1	\$11,025.7	\$ 8,942.4	\$ 2,083.3	\$ 211.2	
FY 2026*	\$ 8,725.7	\$ 2,469.7	\$11,195.4	\$ 9,428.5	\$ 1,766.9	\$ (702.8)	

*Based on the Dec. REC and Governor's Recommendations

FY 2026 surplus carryforward amount includes a transfer of \$351.4 million from Taxpayer Relief Fund.

State Budget—Recap

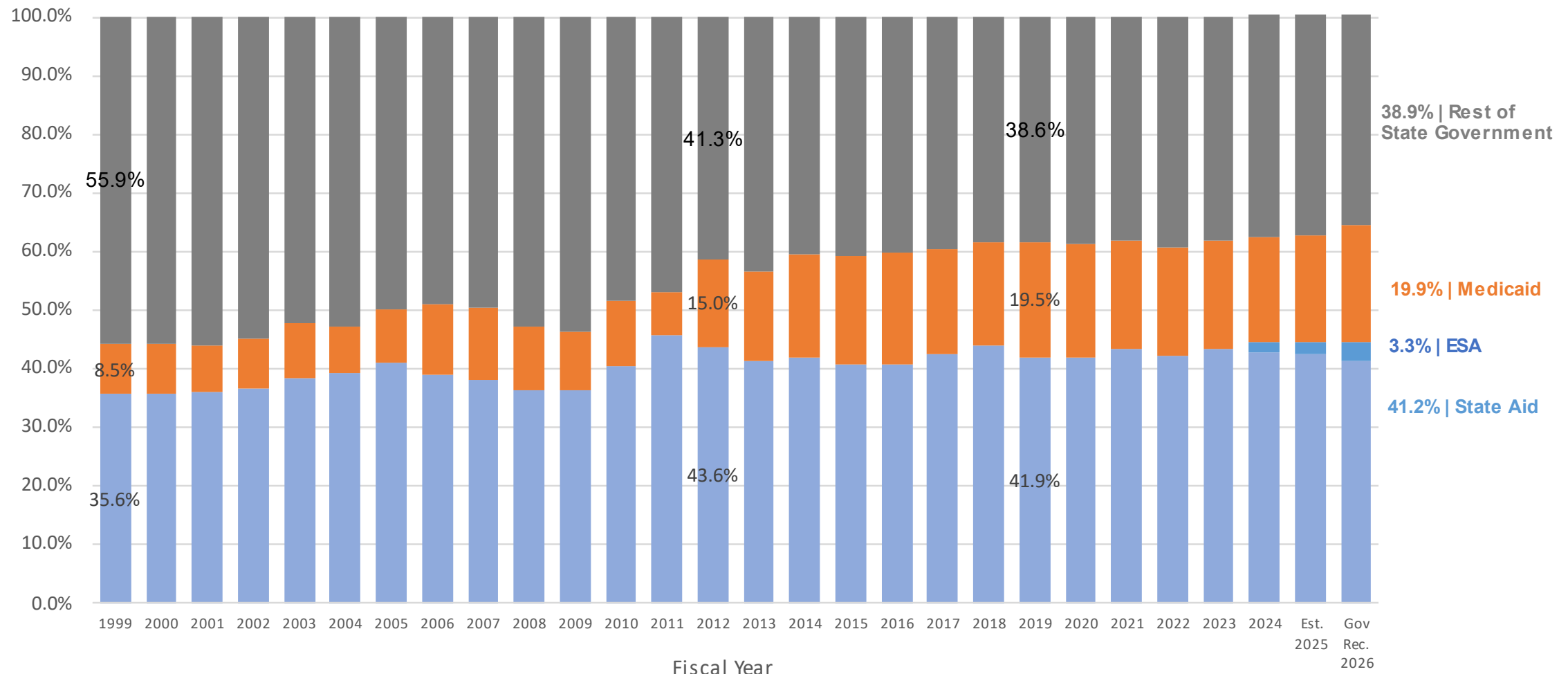
- General Fund revenue will decrease by \$1.031 billion over the next two years.
- REC estimates play a vital role—the March meeting may be important to the state budget if revenues are further reduced.
- State Reserve funds are “full”, however, are being statutorily reduced due to the reduction in revenues.



State School Aid: Impact on the State's Budget



School Aid, ESA, Medicaid: Impact on the State Budget
FY 1999 through Est. FY 2025



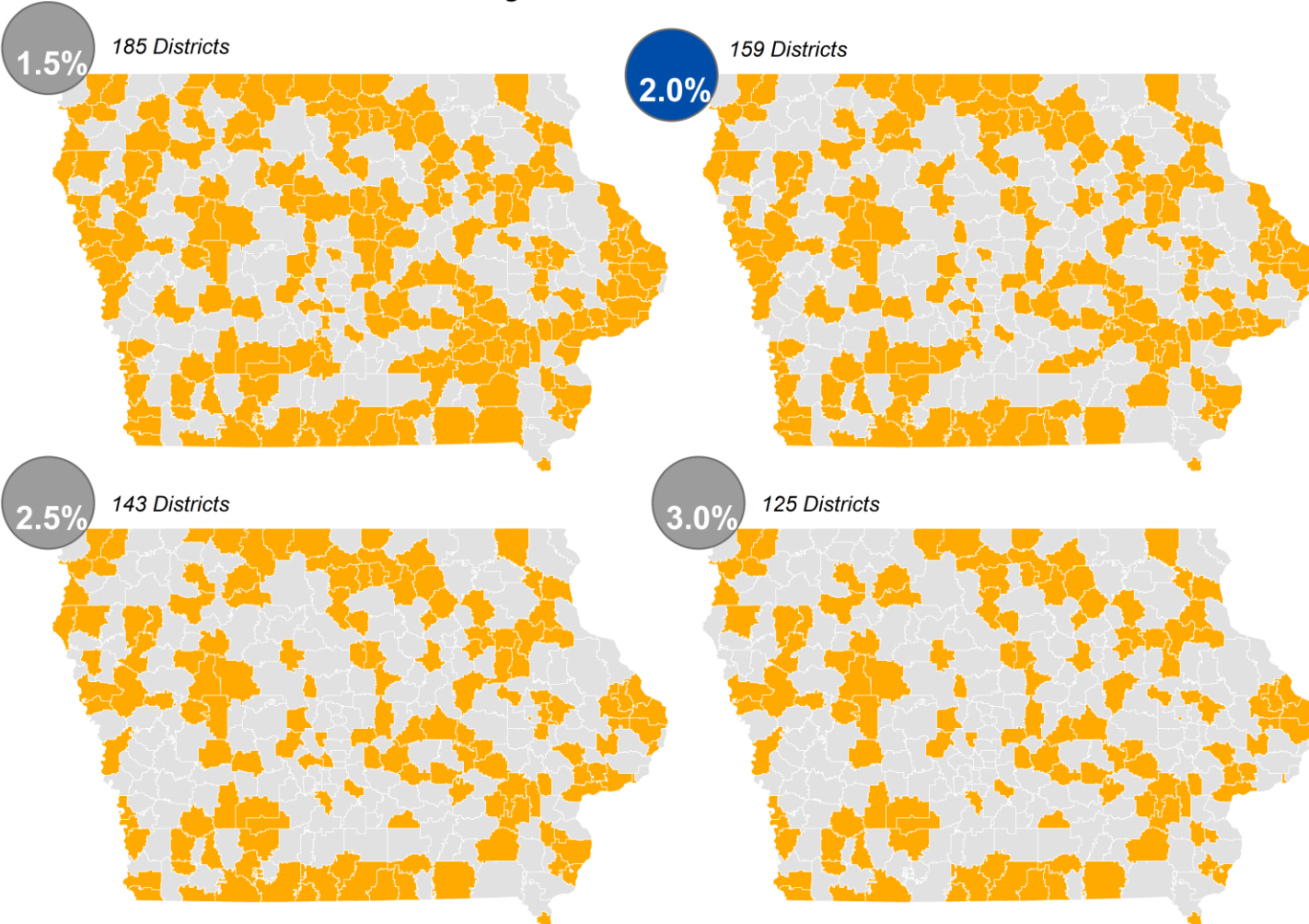
Sources: LSA Trackingfiles and IASB analysis and calculations

- **FY 2026 Supplemental State Aid (SSA):**
 - The governor recommended a percent of growth of 2.0%.
 - Governor's recommendation extends property tax relief (at 2.0%, this increases state aid by \$9.9 million).
 - The legislature may decide on a different number.
 - These amounts include the additional TSS increases for new teacher salary minimum levels.
- **Equity funding:**
 - No additional funding for reducing the inequity between the DCPP and the highest DCPP. Unclear if the legislature will provide DCPP equity (they did not last two sessions).
 - Transportation funding grows by SSA rate of growth.
 - \$31.7 million in total funding under the governor's recommendation.
 - FY 2024 transportation expenditure data is not available for district estimates.

Budget Guarantee



Iowa Association of School Boards FY 2026 — School Budget Guarantee at Various State Percent of Growth Rates



IASB: FY 2026 State Percent of Growth and Estimated Impact

State Percent of Growth	Increase in District Cost Per Pupil	State Aid General Fund Increase*	Budget Guarantee Amount	Number of Districts on Budget Guarantee
1.00%	\$ 78	\$ 70.7	43.4	207
1.50%	\$ 117	\$ 96.7	33.6	185
2.00%	\$ 157	\$ 123.9	25.0	159
2.00%	\$ 157	\$ 102.0	25.0	159
2.50%	\$ 196	\$ 150.0	18.7	143
3.00%	\$ 235	\$ 176.1	13.9	125
3.50%	\$ 274	\$ 202.9	10.2	110
4.00%	\$ 313	\$ 229.0	7.4	89
4.50%	\$ 352	\$ 255.2	5.2	73
5.00%	\$ 391	\$ 282.0	3.7	57

Governor Recommendations:
 2.0% SSA, extension of PTRP
 \$35 million reduction to AEAs
 \$21.9 million from Taxpayer Relief Fund to supplement General Fund Dollars

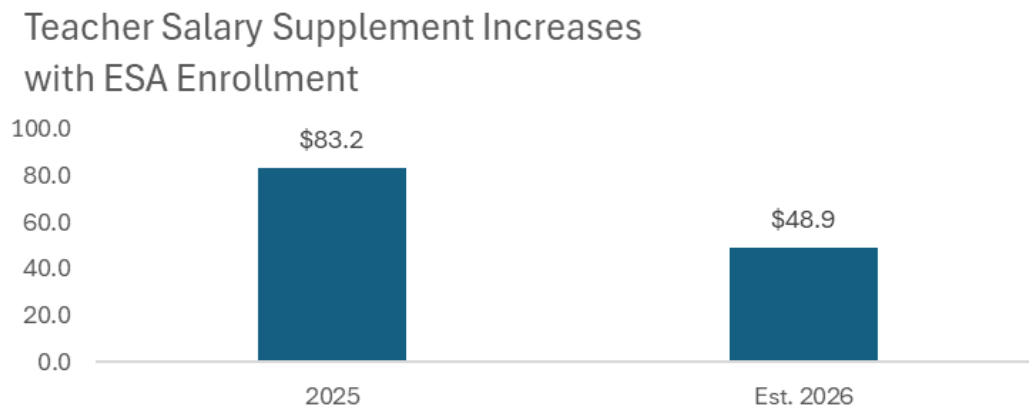
*Unless otherwise noted assumptions include:
 An extension of the Property Tax Replacement Payment (PTRP) Provision Maintains a \$32.5 million reduction to the AEAs (Reduction generally to Special Education portion).
 Does not include previous Economic Emergency Fund (EFF) appropriations to supplement General Fund dollars.
 Other agreed upon assumptions by IASB, DOM, LSA and DE.

Source: DOM, IASB school aid model, IASB analysis and calculations

Teacher Salary Supplement (TSS)



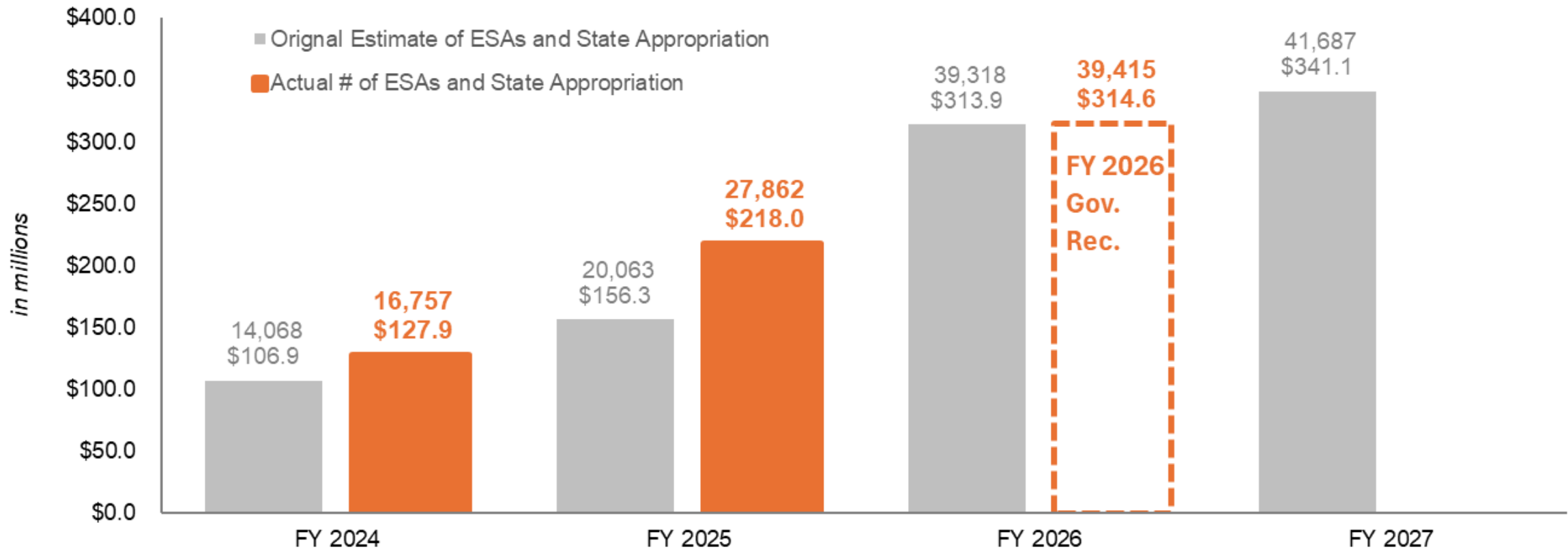
- **FY 2026 and beyond**—Minimum teacher salaries will increase to:
 - \$50,000 for teachers with less than 12 years' experience.
 - \$62,000 for teachers with 12 or more years of experience.
- FY 2024 BEDS Data not available for Governor's Recommendations:
 - Calculations for FY 2026 estimates use FY 2023 BEDS data and a 2.0% additional percent of growth beyond the DOM calculated need. Actuals will use FY 2024 BEDS data plus state percent of growth if enacted by the legislature.



Educational Savings Accounts



- Educational Savings Accounts continue to outpace original fiscal note projections.



AEA Programs Moving Forward



HF 2612 continues to change how AEAs will be funded moving forward

FY 2025	Programs	Revenue Source
Special Education	100% of funds flow through to the AEA.	State Aid/ Property Tax
Media Services	40% of funds to AEA 60% of funds to the district (any GF use).	Property Tax
Education Services	40% of funds to AEA 60% of funds to the district (any GF use).	Property Tax
Teacher Salary Supplement	100% of funds flow through to the AEA.	State Aid
Professional Development	No funding generated.	

FY 2026	Programs	Revenue Source
Special Education	90% of funds must be spent with the AEAs. 10% remain with the district for any Special Ed use.	State Aid/ Property Tax
Media Services	100% of funds to the district (any GF use).	Property Tax
Education Services	100% of funds to the district (any GF use).	Property Tax
Teacher Salary Supplement	100% of funds flow through to the AEA.	State Aid
Professional Development	No funding generated.	

A school district may choose to receive services from the AEA in which they are geographically located or may choose to receive services from another contiguous AEA. It also allows school districts who share a superintendent to choose which AEA to receive services from even if they aren't contiguous.



*Vision & Voice for
Public Education*

www.ia-sb.org





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LOBBYING AND GOVERNMENT RELATIONS

2025 LEGISLATIVE SESSION

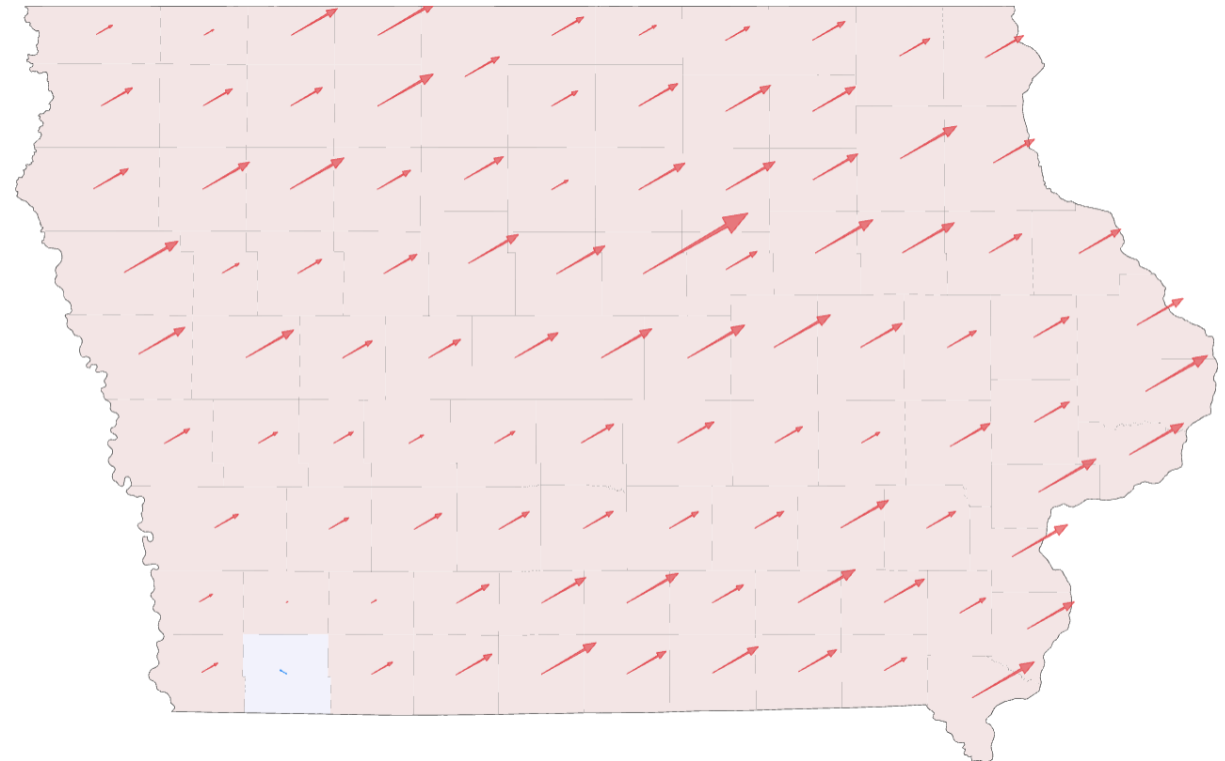
PRESIDENTIAL ELECTION

- Donald Trump: 56%
- Kamala Harris: 42.7%
- Trump improved in 98 of 99 counties
- Turnout down 2%

How Iowa's presidential vote shifted from 2020 to 2024

In counties in **red**, Donald Trump received a greater share of the vote than he did in 2020. In counties in **blue**, he received a smaller share of the vote. The size of the arrows represents the magnitude of the increase or decrease in Trump's vote share.

← Democrat swing → Republican swing

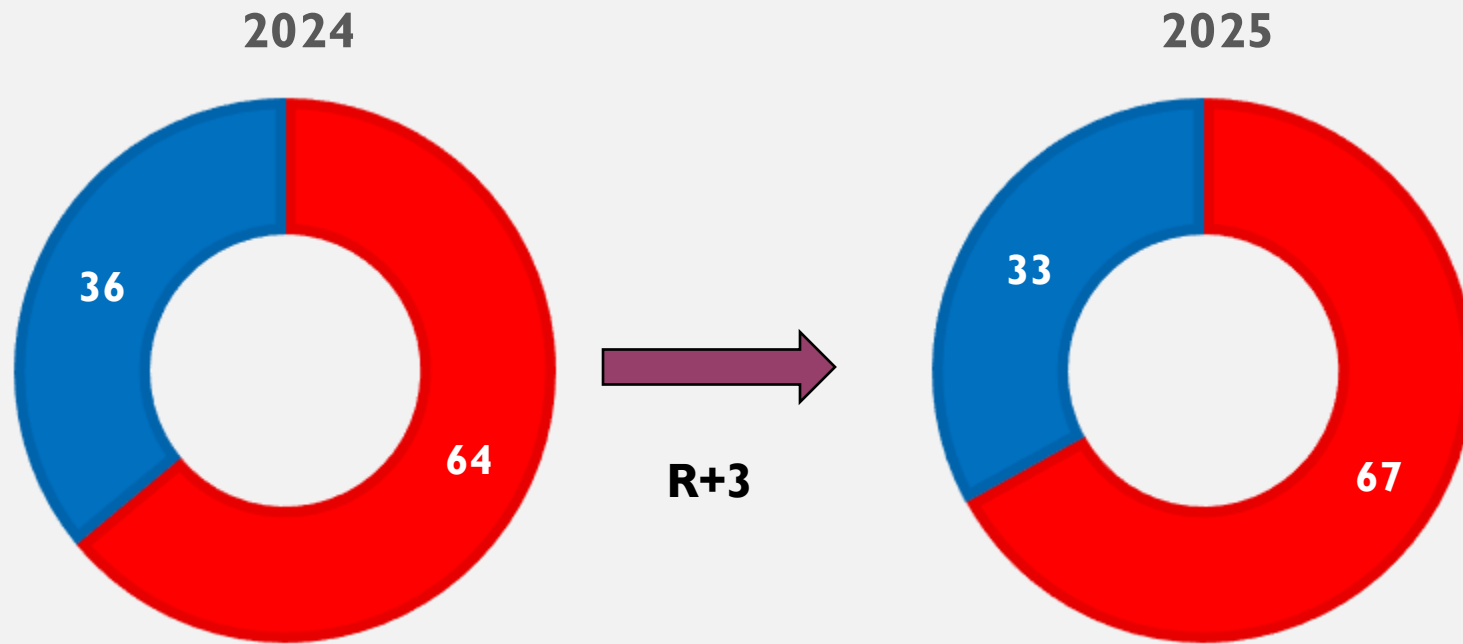


Source: Iowa Secretary of State



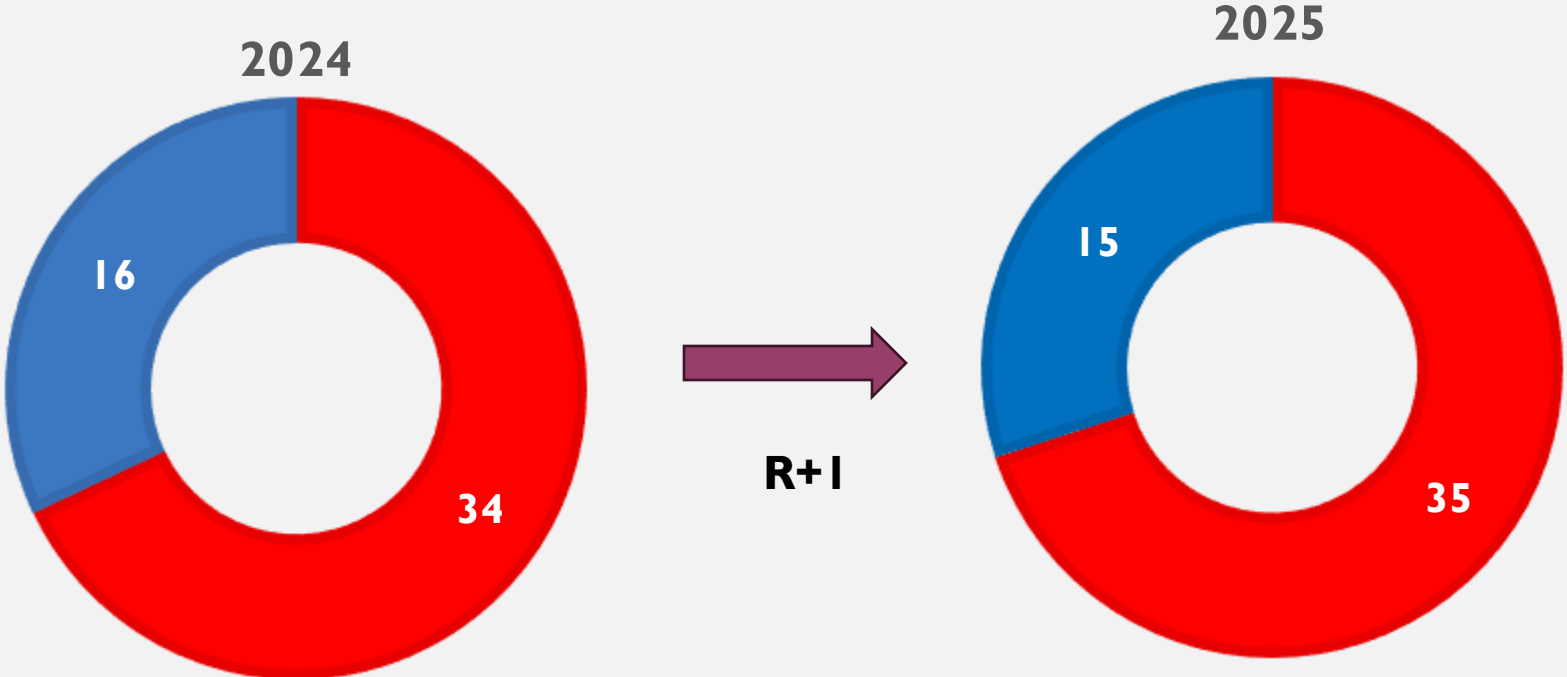
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HOUSE OF REPRESENTATIVES



Rep. Sue Cahill (D) – Marshalltown
Rep. Molly Buck (D) – Ankeny
Rep. Chuck Isenhardt (D) – Dubuque

SENATE



Sen. Nate Boulton (D) – Des Moines
Sen. Eric Giddens (D) – Cedar Falls
Sen. Brad Zaun (R) – Urbandale

HOUSE OF REPRESENTATIVES



Matt Windschitl
(R-Missouri Valley)
Majority Leader



Pat Grassley
(R-New Hartford)
Speaker



Jennifer Konfrst
(D-Windsor Heights)
Minority Leader



John Wills
(R- Spirit Lake)
Speaker Pro Tempore



Henry Stone
(R-Forest City)
Majority Whip

SENATE



Jack Whitver
(R-Grimes)
Majority Leader



Amy Sinclair
(R-Allerton)
President



Janice Weiner
(D-Iowa City)
Minority Leader



Ken Rozenboom
(R-Oskaloosa)
President Pro Tempore



Mike Klimesh
(R-Spillville)
Majority Whip

EDUCATION CHAIRS

House



Skyler Wheeler
Ed Policy
(R) - Hull



Austin Harris
Ed Approps
(R) - Moulton

Senate



Lynn Evans
Ed Policy
(R) - Aurelia



Jesse Green
Ed Approps
(R) - Boone



Chris Cournoyer (R) LeClaire

LEADERSHIP CHANGES

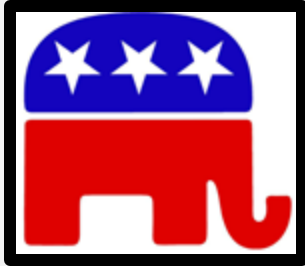
- **Lieutenant Governor**
- **Committee chairs**
 - Senate HHS - Klimesh
 - Senate Commerce - Boussetot
 - Senate Judiciary - Schultz
 - Senate State Government - Rozenboom
 - Senate Education - Evans
 - Senate Education Appropriations - Green
 - House HHS Appropriations - Meyer
 - House HHS - Nordman
 - House Education Appropriations - Harris



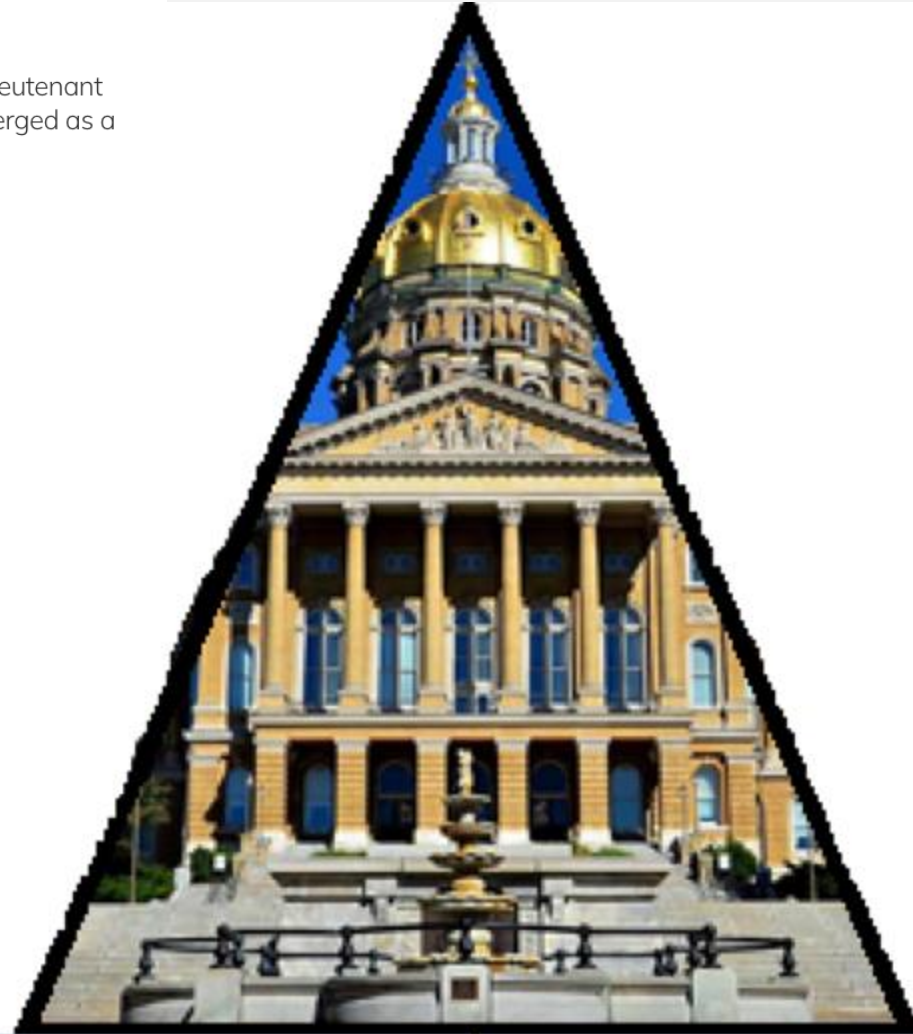
POLITICS

Queen of Iowa: How One Governor Came to Dominate Her State

Kim Reynolds was relatively unknown when she served as lieutenant governor and even after becoming governor. She's since emerged as a powerhouse.



Governor



TRIFECTA \neq AGREEMENT

House
100 Members
Supermajority

Senate
50 Members
Supermajority

BUDGET CONSIDERATIONS



Projected Revenue Decline:

REC forecasts a revenue drop of \$1 billion over the next two years



Medicaid Shortfall:

Expected to face \$218 million shortfall this year

AEA TASK FORCE

- Met December 9th, 2024
- Requested each AEA to provide:
 - Comprehensive list of the services AEA's provide
 - How much each service costs
 - What services each Iowa school district needs
 - Whether AEA's have the staff and the funding to meet those needs
 - Administrative costs
- Requested information from the DE on expenditures and job duties
- Next meeting is going to be sometime in February

