

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 139 - School Foundation Level (LSB 2134 YH)

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Fiscal Note Version - Revised

Description

House File 139 amends Section 257.1, Code of Iowa, to incrementally phase in an increase in the foundation level for regular program costs and school special education costs from the current 87.5% to 100.0% in FY 2012. The Area Education Agency special education foundation level remains at 79.0%.

Assumptions

- The allowable growth rate throughout the phase-in is 4.0%.
- Budget enrollments are based on Department of Education 2005 preliminary projections. Enrollment projections for FY 2008 and FY 2009 are reduced by 0.25% to accommodate for the preliminary FY 2007 projection adjustment.
- The \$7.5 million AEA reduction is applied to FY 2006 and later years, rather than the \$19.3 million reduction applied in FY 2005.
- FY 2005 taxable valuations decreased by 2.9%; FY 2006 valuations are estimated to increase 2.3%; FY 2007 valuations are projected to increase by 2.0%; FY 2008 are projected to increase by 1.0%; and FY 2009 are projected to increase by 2.0%.
- Weighting increases include: 10.0% annually for Shared Teacher and Pupil, 10.0% annually for ESL, no change for At-Risk students, and Special Education at 3.5% in FY 2005, 1.1% in FY 2006, and 3.5% in FY 2007 through FY 2009).
- The current model projects through FY 2009; fiscal years 2010 through 2012 are increased proportionately allowing for property tax equalization occurring in alternate years.

Fiscal Impact

House File 139 changes the funding stream for school districts. It does not change the total amount of funding schools receive. The following table shows the costs under current law and the proposed changes.

Dollars in Millions

Fiscal Year	Current			Proposed		
	State Aid	Property Taxes	Total Funding	State Aid	Property Taxes	Total Funding
FY 2005	\$ 1,881.2	\$ 1,025.7	\$ 2,907.0	\$ 1,881.2	\$ 1,025.7	\$ 2,907.0
FY 2006	1,974.6	1,045.1	3,019.7	2,023.3	996.4	3,019.7
FY 2007	2,074.1	1,072.9	3,147.0	2,177.1	969.9	3,147.0
FY 2008	2,182.3	1,093.8	3,276.2	2,343.3	932.9	3,276.2
FY 2009	2,287.9	1,125.0	3,412.9	2,511.5	901.3	3,412.9
FY 2010	2,404.4	1,144.7	3,549.1	2,702.3	846.9	3,549.1
FY 2011	2,523.2	1,174.8	3,698.0	2,902.0	796.0	3,698.0
FY 2012	2,654.5	1,194.4	3,848.9	3,127.3	721.6	3,848.9

Fiscal Year	Change		
	State Aid	Property Taxes	Total Funding
FY 2005	\$ 0.0	\$ 0.0	\$ 0.0
FY 2006	48.7	-48.7	0.0
FY 2007	103.0	-103.0	0.0
FY 2008	160.9	-160.9	0.0
FY 2009	223.6	-223.6	0.0
FY 2010	297.9	-297.9	0.0
FY 2011	378.8	-378.8	0.0
FY 2012	472.8	-472.8	0.0

These changes produce incremental increases in funding for State foundation aid from the General Fund and corresponding decreases in foundation property taxes. The increased cost to the General Fund will be incremented by \$48.7 million in FY 2006, by an additional \$52.4 million in FY 2007, \$57.9 million in FY 2008, \$62.7 million in FY 2009, \$74.2 million in FY 2010, \$81.0 million in FY 2011, and \$94.0 million in the final year.

Sources

Department of Management
Department of Education

Holly M. Lyons

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
