

**Senate File 2201 - Enrolled**

Senate File 2201

AN ACT

RELATING TO SCHOOL FUNDING BY ESTABLISHING THE STATE PERCENT OF GROWTH AND THE CATEGORICAL STATE PERCENT OF GROWTH FOR THE BUDGET YEAR BEGINNING JULY 1, 2026, MODIFYING PROVISIONS RELATING TO PROPERTY TAX REPLACEMENT PAYMENTS, TRANSPORTATION EQUITY AID FUNDING, FUNDING FOR SCHOOL DISTRICT BUDGET ADJUSTMENTS, AND SCHOOL DISTRICT ENROLLMENT, ESTABLISHING AN EDUCATION SUPPORT PERSONNEL SALARY SUPPLEMENT, MAKING APPROPRIATIONS, AND INCLUDING EFFECTIVE DATE AND APPLICABILITY PROVISIONS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

STATE AND CATEGORICAL PERCENTS OF GROWTH AND PROPERTY TAX REPLACEMENT PAYMENTS

Section 1. Section 257.8, subsections 1 and 2, Code 2026, are amended to read as follows:

1. *State percent of growth.* ~~The state percent of growth for the budget year beginning July 1, 2023, is three percent. The state percent of growth for the budget year beginning July 1, 2024, is two and one-half percent. The state percent of growth for the budget year beginning July 1, 2025, is two percent.~~ The state percent of growth for the budget year beginning July 1, 2026, is two percent. The state percent of growth for each subsequent budget year shall be established by statute which shall be enacted within thirty days of the transmission of the governor's budget required by February 1 under section 8.21 during the regular legislative session beginning in the base

year.

2. *Categorical state percent of growth.* ~~The categorical state percent of growth for the budget year beginning July 1, 2023, is three percent.~~ The categorical state percent of growth for the budget year beginning July 1, 2024, is two and one-half percent. The categorical state percent of growth for the budget year beginning July 1, 2025, is two percent, except for calculating the appropriation to the transportation equity fund under section 257.16C. The categorical state percent of growth for purposes of calculating the appropriation to the transportation equity fund under section 257.16C for the budget year beginning July 1, 2025, is five percent. The categorical state percent of growth for the budget year beginning July 1, 2026, is two percent. The categorical state percent of growth for each budget year shall be established by statute which shall be enacted within thirty days of the transmission of the governor's budget required by February 1 under section 8.21 during the regular legislative session beginning in the base year. The categorical state percent of growth may include state percents of growth for the teacher salary supplement, the professional development supplement, the early intervention supplement, the teacher leadership supplement, and for budget years beginning on or after July 1, 2020, transportation equity aid payments under section 257.16C.

Sec. 2. Section 257.16B, subsections 1 and 2, Code 2026, are amended to read as follows:

1. For each fiscal year beginning on or after July 1, ~~2023~~ 2024, there is appropriated from the general fund of the state to the department of education an amount necessary to make all school district property tax replacement payments under this section, as calculated in subsection 2.

2. a. ~~(1) For the budget year beginning July 1, 2023, the amount of each school district's property tax replacement payment shall be the product of the school district's weighted enrollment for the budget year multiplied by the per pupil property tax replacement amount for the budget year calculated under subparagraph (2).~~

~~(2) The per pupil property tax replacement amount for the budget year beginning July 1, 2023, is equal to the sum of one hundred fifty-three dollars plus the difference between the~~

following:

~~(a) The regular program state cost per pupil for the budget year beginning July 1, 2023, multiplied by one hundred percent less the regular program foundation base per pupil percentage pursuant to section 257.1 for the budget year beginning July 1, 2023.~~

~~(b) The regular program state cost per pupil for the budget year beginning July 1, 2021, multiplied by one hundred percent less the regular program foundation base per pupil percentage pursuant to section 257.1 for the budget year beginning July 1, 2023.~~

~~b. a.~~ (1) For the budget year beginning July 1, 2024, the amount of each school district's property tax replacement payment shall be the product of the school district's weighted enrollment for the budget year multiplied by the per pupil property tax replacement amount for the budget year calculated under subparagraph (2).

(2) The per pupil property tax replacement amount for the budget year beginning July 1, 2024, is equal to the sum of one hundred fifty-three dollars plus the difference between the following:

(a) The regular program state cost per pupil for the budget year beginning July 1, 2024, multiplied by one hundred percent less the regular program foundation base per pupil percentage pursuant to section 257.1 for the budget year beginning July 1, 2024.

(b) The regular program state cost per pupil for the budget year beginning July 1, 2021, multiplied by one hundred percent less the regular program foundation base per pupil percentage pursuant to section 257.1 for the budget year beginning July 1, 2024.

~~e. b.~~ (1) For each the budget year beginning ~~on or after~~ July 1, 2025, the amount of each school district's property tax replacement payment shall be the product of the school district's weighted enrollment for the budget year multiplied by the per pupil property tax replacement amount for the budget year calculated under subparagraph (2).

(2) The per pupil property tax replacement amount for the budget ~~years year~~ beginning ~~on or after~~ July 1, 2025, is equal to the sum of one hundred fifty-three dollars plus the difference

between the following:

(a) The regular program state cost per pupil for the budget year beginning July 1, 2025, multiplied by one hundred percent less the regular program foundation base per pupil percentage pursuant to section 257.1 for the applicable budget year under ~~this paragraph~~ beginning July 1, 2025.

(b) The regular program state cost per pupil for the budget year beginning July 1, 2021, multiplied by one hundred percent less the regular program foundation base per pupil percentage pursuant to section 257.1 for the applicable budget year under ~~this paragraph~~ beginning July 1, 2025.

c. (1) For each budget year beginning on or after July 1, 2026, the amount of each school district's property tax replacement payment shall be the product of the school district's weighted enrollment for the budget year multiplied by the per pupil property tax replacement amount for the budget year calculated under subparagraph (2).

(2) The per pupil property tax replacement amount for budget years beginning on or after July 1, 2026, is equal to the sum of one hundred fifty-three dollars plus the difference between the following:

(a) The regular program state cost per pupil for the budget year beginning July 1, 2026, multiplied by one hundred percent less the regular program foundation base per pupil percentage pursuant to section 257.1 for the applicable budget year under this paragraph.

(b) The regular program state cost per pupil for the budget year beginning July 1, 2021, multiplied by one hundred percent less the regular program foundation base per pupil percentage pursuant to section 257.1 for the applicable budget year under this paragraph.

Sec. 3. CODE SECTION 257.8 — IMPLEMENTATION. The requirement of section 257.8, subsection 1, regarding the enactment of bills establishing the regular program state percent of growth within thirty days of the submission in the year preceding the base year of the governor's budget does not apply to this division of this Act.

Sec. 4. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

TRANSPORTATION EQUITY AID FUNDING

Sec. 5. Section 257.16C, subsection 2, paragraph b, Code 2026, is amended to read as follows:

b. Each school district that satisfies the criteria of subsection 1 shall receive transportation equity aid in an amount equal to the school district's actual enrollment for the school year, excluding the shared-time enrollment for the school year, multiplied by the school district's transportation cost per pupil differential for the budget year. However, for budget years beginning on or after July 1, 2026, transportation equity aid paid to a school district for a budget year under this paragraph shall not exceed one million dollars.

Sec. 6. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION III

SCHOOL DISTRICT BUDGET ADJUSTMENT — FY 2026-2027

Sec. 7. SCHOOL DISTRICT BUDGET ADJUSTMENT — FY 2026-2027.

1. For the school budget year beginning July 1, 2026, the department of management shall add the amount of the school district's budget adjustment under section 257.14, if any, to the combined foundation base under section 257.1, subsection 2, for the budget year.

2. For the school budget year beginning July 1, 2026, a school district's budget adjustment under section 257.14 shall be funded by state foundation aid resulting from the calculation under subsection 1 and shall not be funded through school district property taxes.

Sec. 8. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION IV

EDUCATION SUPPORT PERSONNEL SALARY SUPPLEMENT

Sec. 9. EDUCATION SUPPORT PERSONNEL SALARY SUPPLEMENT — FY 2026-2027.

1. There is appropriated from the general fund of the state to the department of education for the fiscal year beginning July 1, 2026, and ending June 30, 2027, the following amount, or so much thereof as is necessary, to be used for the purposes designated:

To supplement education support personnel compensation:  
..... \$ 7,000,000

2. Moneys appropriated in this section are miscellaneous income as defined in section 257.2 and shall not be included in any computation of district cost under chapter 257 for any budget year.

3. Moneys appropriated in this section shall be used to provide a funding supplement to each school district during the fiscal year beginning July 1, 2026, to supplement education support personnel compensation.

4. In order to receive the funding supplement, a school district shall first report to the department of education on or before July 1, 2026, the number of education support personnel employed by the school district, including all other information related to such personnel required by the department of education. Each school district's funding supplement amount shall be equal to \$7,000,000 multiplied by the quotient of the school district's budget enrollment for the budget year beginning July 1, 2025, divided by the statewide total budget enrollment for the budget year beginning July 1, 2025.

5. For purposes of this section, "education support personnel" means regular and part-time employees of a school district who are not salaried.

6. The payment of funding supplement amounts under this section shall be paid by the department of education at the same time and in the same manner as foundation aid is paid under section 257.16 for the fiscal year beginning July 1, 2026, and may be included in the payment of state aid under section 257.16, subsection 2.

#### DIVISION V

##### SCHOOL DISTRICT ENROLLMENT AND BUDGETING

Sec. 10. Section 256.12, subsection 2, paragraph c, Code 2026, is amended to read as follows:

c. A local school district providing services pursuant to this subsection shall submit an accounting to the department of education by August 1 following the school year for the actual costs of the special education programs and services provided. The department shall review and approve or modify the accounting by September 1 and shall notify the department of administrative services of the approved accounting amount. The department of administrative services shall adjust the September payment to the local school district for the next fiscal year by the difference

between the amount generated by the weighting for the provision of services to nonpublic school students, as provided in this subsection, and the amount of the actual costs as reflected in the local school district's accounting. Any amount paid by the department of administrative services shall be deducted ~~monthly~~ quarterly from the state foundation aid paid under section 257.16 during that fiscal year to all school districts in the state. The portion of the total amount of the approved accounting amount that shall be deducted from the state aid of a school district shall be the same as the ratio that the budget enrollment for the budget year of the school district bears to the total budget enrollment in the state for that budget year.

Sec. 11. Section 257.6, subsection 1, paragraphs b and c, Code 2026, are amended to read as follows:

b. A school district shall certify its actual enrollment to the department of education by October 15 of each year, and the department shall promptly forward the information to the department of management, but not later than thirty days after certification.

c. The department of management shall adjust the enrollment of the school district for the audit year based upon reports filed under section 11.6, and shall further adjust the budget of the second year succeeding the audit year for the property tax and state aid portions of the reported differences in enrollments ~~for the year succeeding the audit year~~ fiscal year two years prior to the budget year.

Sec. 12. Section 257.6, subsection 2, Code 2026, is amended to read as follows:

2. *Basic enrollment.*

a. Basic enrollment for a budget year is the average of a district's actual enrollment for the base year, determined on the date specified under subsection 1, and the district's adjusted enrollment for the base year, determined on the date specified under subsection 7. Basic enrollment for the base year is the average of a district's actual enrollment for the year preceding the base year, determined on the date specified under subsection 1, and the district's adjusted enrollment for the year preceding the base year, determined on the date specified under subsection 7.

b. If the department of education discovers any discrepancy

or disputes the basic enrollment count certified under subsection 2, or the adjusted enrollment count certified under subsection 7, the department shall notify the school district and the school district shall have five business days from the date of notification by the department to voluntarily resolve such dispute or discrepancy. Failure by a school district to timely resolve such dispute or discrepancy shall result in the department of education making a final determination of such enrollment counts for the school district.

Sec. 13. Section 257.6, Code 2026, is amended by adding the following new subsection:

NEW SUBSECTION. 7. Adjusted enrollment.

a. Adjusted enrollment is determined annually on January 15, or the third Monday in January if January 15 falls on a Saturday or Sunday, and includes the same categories of pupils used to determine actual enrollment under subsection 1, paragraph "a".

b. A school district shall certify its adjusted enrollment to the department of education by January 30 of each year, and the department shall promptly forward the information to the department of management, but not later than twenty-one days after certification.

c. The department of management shall adjust the basic enrollment of the school district for the audit year based upon reports filed under section 11.6, and shall further adjust the budget of the second year succeeding the audit year for the property tax and state aid portions of the reported differences in such enrollments for the fiscal year two years prior to the budget year.

Sec. 14. Section 257.16, subsection 2, Code 2026, is amended to read as follows:

2. All state aids paid under this chapter, unless otherwise stated, shall be paid in ~~monthly~~ quarterly installments beginning on ~~September 15~~ or about July 15 of a budget year and ending on or about ~~June~~ April 15 of the budget year as determined by the department of management, taking into consideration the relative budget ~~and of the state,~~ and of the state, cash position of the state resources, and the timing of enactment of legislation affecting school district budgets.

Sec. 15. Section 257.16B, subsection 3, Code 2026, is amended to read as follows:

3. School district property tax replacement payments shall be paid by the department of education at the same time and in the same manner as foundation aid is paid under section 257.16 and may be included in the ~~monthly~~ quarterly payment of state aid under section 257.16, subsection 2.

Sec. 16. Section 257.16C, subsection 5, paragraph b, Code 2026, is amended to read as follows:

b. Transportation equity aid payments and transportation base funding payments shall be paid at the same time and in the same manner as foundation aid is paid under section 257.16, and may be included in the ~~monthly~~ quarterly payment of state aid under section 257.16, subsection 2.

Sec. 17. Section 257.35, subsection 1, paragraph a, subparagraph (3), unnumbered paragraph 1, Code 2026, is amended to read as follows:

For the fiscal year beginning July 1, 2025, and ~~each fiscal year thereafter~~ the fiscal year beginning July 1, 2026, the department of management shall deduct the following from the state aid due to each school district pursuant to this chapter and shall pay the amounts to the respective area education agencies on a monthly basis from September 15 through June 15 during each school year:

Sec. 18. Section 257.35, subsection 1, paragraph a, Code 2026, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (4) For the fiscal year beginning July 1, 2027, and each fiscal year thereafter, the department of management shall deduct the following from the state aid due to each school district pursuant to this chapter and shall pay the amounts to the respective area education agencies on a quarterly basis from July 15 to April 15 during each school year:

(a) The area education agency teacher salary supplement district cost.

(b) The amount due to the area education agency as the result of supplementary weighting for shared operational functions under section 257.11, subsection 5, paragraph "e".

Sec. 19. Section 257.35, subsection 21, unnumbered paragraph 1, Code 2026, is amended to read as follows:

~~The~~ For the fiscal year beginning July 1, 2025, and the fiscal year beginning July 1, 2026, the director of the department of management may deduct the following from the state aid due to

each school district pursuant to this chapter and shall pay the amounts to the respective area education agencies on a monthly basis from September 15 through June 15 during each school year for purposes of providing services to students enrolled in nonpublic schools within the boundaries of the area education agency:

Sec. 20. Section 257.35, Code 2026, is amended by adding the following new subsection:

NEW SUBSECTION. 21A. For the fiscal year beginning July 1, 2027, and each fiscal year thereafter, the director of the department of management may deduct the following from the state aid due to each school district pursuant to this chapter and shall pay the amounts to the respective area education agencies on a quarterly basis from July 15 through April 15 during each school year for the purposes of providing services to students enrolled in nonpublic schools within the boundaries of the area education agency:

a. The amount calculated for media services for the school district that is attributable to the number of students enrolled in nonpublic schools within the school district who are provided with media services by an area education agency.

b. The amount calculated for educational services for the school district that is attributable to the number of students enrolled in nonpublic schools within the school district who are provided with educational services by an area education agency.

Sec. 21. Section 282.31, subsection 1, paragraph a, Code 2026, is amended to read as follows:

a. A child who lives in a facility pursuant to section 282.30, subsection 1, paragraph "a", and who is not enrolled in the educational program of the district of residence of the child, shall receive appropriate educational services. The area education agency shall submit a proposed program and budget to the department of education by January 1 for the next succeeding school year. The department of education shall review and approve or modify the program and proposed budget and shall notify the department of administrative services and the area education agency of its action by February 1. The department of administrative services shall pay the approved budget amount for an area education agency in ~~monthly~~ quarterly installments beginning ~~September~~ July 15 and ending ~~June~~ April 15 of the

next succeeding school year. The installments shall be as nearly equal as possible as determined by the department of management, taking into consideration the relative budget and of the state, cash position of the state's resources, and the timing of enactment of legislation affecting area education agency budgets. The department of administrative services shall transfer the approved budget amount for an area education agency from the moneys appropriated under section 257.16 and make the payment to the area education agency. The area education agency shall submit an accounting for the actual cost of the program to the department of education by August 1 of the following school year. The department shall review and approve or modify all expenditures incurred in compliance with the guidelines pursuant to section 256.7, subsection 10, and shall notify the department of administrative services of the approved accounting amount. The approved accounting amount shall be compared with any amounts paid by the department of administrative services to the area education agency and any differences added to or subtracted from the October payment made under this paragraph for the next school year. Any amount paid by the department of administrative services shall be deducted ~~monthly~~ quarterly from the state foundation aid paid under section 257.16 to all school districts in the state during the subsequent fiscal year. The portion of the total amount of the approved budget that shall be deducted from the state aid of a school district shall be the same as the ratio that the budget enrollment for the budget year of the school district bears to the total budget enrollment in the state for that budget year in which the deduction is made.

Sec. 22. Section 282.31, subsection 1, paragraph b, subparagraph (2), Code 2026, is amended to read as follows:

(2) However, on June 30 of a school year, if the board of directors of a school district determines that the number of days for which a school district generated funding for children under this paragraph "b" who were counted in the basic enrollment of the school district in that school year in accordance with section 257.6, subsection 1, is less than the sum of the number of days enrolled for all children enrolled in the school district under this paragraph "b" during the school year, the secretary of the school district may submit a claim to the department of education by August 1 following the school year for an amount

equal to the district cost per pupil of the district for the previous school year multiplied by the quotient of the excess number of enrolled days for children under this paragraph "b" divided by the number of days in the district's board-approved calendar for the previous year. The amount of the claim shall be paid by the department of administrative services to the school district by October 1. The department of administrative services shall transfer the total amount of the approved claim of a school district from the moneys appropriated under section 257.16 and the amount paid shall be deducted ~~monthly~~ quarterly from the state foundation aid paid to all school districts in the state during the remainder of the subsequent fiscal year in the manner provided in paragraph "a".

Sec. 23. Section 282.31, subsection 3, Code 2026, is amended to read as follows:

3. The actual special education instructional costs, including transportation, for a child who requires special education shall be paid by the department of administrative services to the school district in which the facility or home is located, only when a district of residence cannot be determined, and the child was not included in the weighted enrollment of any district pursuant to section 256B.9, and the payment pursuant to subsection 2, paragraph "a", was not made by any district. The district shall submit a proposed program and budget to the department of education by January 1 for the next succeeding school year. The department of education shall review and approve or modify the program and proposed budget and shall notify the district by February 1. The district shall submit a claim by August 1 following the school year for the actual cost of the program. The department shall review and approve or modify the claim and shall notify the department of administrative services of the approved claim amount by September 1. The total amount of the approved claim shall be paid by the department of administrative services to the school district by October 1. The total amount paid by the department of administrative services shall be deducted ~~monthly~~ quarterly from the state foundation aid paid under section 257.16 to all school districts in the state during the subsequent fiscal year. The portion of the total amount of the approved claims that shall be deducted from the state aid of a school district shall be

the same as the ratio that the budget enrollment for the budget year of the school district bears to the total budget enrollment in the state for the budget year in which the deduction is made. The department of administrative services shall transfer the total amount of the approved claims from moneys appropriated under section 257.16 for payment to the school district.

Sec. 24. Section 282.33, subsection 1, Code 2026, is amended to read as follows:

1. A child who resides in an institution for children under the jurisdiction of the director of health and human services referred to in section 218.1, subsection 3, 4, or 5, and who is not enrolled in the educational program of the district of residence of the child, shall receive appropriate educational services. The institution in which the child resides shall submit a proposed program and budget based on the average daily attendance of the children residing in the institution to the department of education and the department of health and human services by January 1 for the next succeeding school year. The department of education shall review and approve or modify the proposed program and budget and shall notify the department of administrative services of its action by February 1. The department of administrative services shall pay the approved budget amount to the department of health and human services in ~~monthly~~ quarterly installments beginning ~~September~~ July 15 and ending ~~June~~ April 15 of the next succeeding school year. The installments shall be as nearly equal as possible as determined by the department of administrative services, taking into consideration the relative budget ~~and of the state,~~ cash position of the state's resources, and the timing of enactment of legislation affecting school budgets. The department of administrative services shall pay the approved budget amount for the department of health and human services from the moneys appropriated under section 257.16 and the department of health and human services shall distribute the payment to the institution. The institution shall submit an accounting for the actual cost of the program to the department of education by August 1 of the following school year. The department shall review and approve or modify all expenditures incurred in compliance with the guidelines adopted pursuant to section 256.7, subsection 10, and shall notify the department of administrative

services of the approved accounting amount. The approved accounting amount shall be compared with any amounts paid by the department of administrative services to the department of health and human services and any differences added to or subtracted from the October payment made under this subsection for the next school year. Any amount paid by the department of administrative services shall be deducted ~~monthly~~ quarterly from the state foundation aid paid under section 257.16 to all school districts in the state during the subsequent fiscal year. The portion of the total amount of the approved budget that shall be deducted from the state aid of a school district shall be the same as the ratio that the budget enrollment for the budget year of the school district bears to the total budget enrollment in the state for that budget year in which the deduction is made.

Sec. 25. Section 282.35, subsection 3, paragraph d, Code 2026, is amended to read as follows:

d. Any amounts paid by the department of education to school districts in this state pursuant to paragraph "c" shall be deducted on a ~~monthly~~ quarterly basis from the state foundation aid paid under section 257.16 to all school districts in the state in the school year following the school year in which the services were provided. The portion of the total amount paid by the department of education to a district that shall be deducted from the state foundation aid paid to the district shall be the same as the ratio that the budget enrollment for the budget year of the district bears to the total budget enrollment in the state for that budget year.

Sec. 26. APPLICABILITY. The following apply to enrollment determinations occurring on or after July 1, 2026, used for school budget years beginning on or after July 1, 2027:

1. The section of this division of this Act amending section 257.6, subsection 1, paragraphs "b" and "c".

2. The section of this division of this Act amending section 257.6, subsection 2.

3. The section of this division of this Act enacting section 257.6, subsection 7.

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AMY SINCLAIR  
President of the Senate

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PAT GRASSLEY  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2201, Ninety-first General Assembly.

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W. CHARLES SMITHSON  
Secretary of the Senate

Approved \_\_\_\_\_, 2026

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KIM REYNOLDS  
Governor

unofficial