

FILED FEB 25 '03

SENATE FILE

205

BY ZIEMAN

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to property tax school reorganization incentives
2 for specified school districts, and providing an effective
3 date.

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

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SF 205
EDUCATION

1 Section 1. Section 257.3, subsection 2, Code 2003, is
2 amended to read as follows:

3 2. TAX FOR REORGANIZED AND DISSOLVED DISTRICTS.

4 a. Notwithstanding subsection 1, a reorganized school
5 district shall cause a foundation property tax of four dollars
6 and forty cents per thousand dollars of assessed valuation to
7 be levied on all taxable property which, in the year preceding
8 a reorganization, was within a school district affected by the
9 reorganization as defined in section 275.1, or in the year
10 preceding a dissolution was a part of a school district that
11 dissolved if the dissolution proposal has been approved by the
12 director of the department of education pursuant to section
13 275.55. ~~In the year preceding the reorganization or~~
14 ~~dissolution, the school district affected by the~~
15 ~~reorganization or the school district that dissolved must have~~
16 ~~had a certified enrollment of fewer than six hundred in order~~
17 ~~for the four dollar and forty cent levy to apply.~~

18 b. In succeeding school years, the foundation property tax
19 levy on that portion shall be increased to the rate of four
20 dollars and ninety cents per thousand dollars of assessed
21 valuation the first succeeding year, five dollars and fifteen
22 cents per thousand dollars of assessed valuation the second
23 succeeding year, and five dollars and forty cents per thousand
24 dollars of assessed valuation the third succeeding year and
25 each year thereafter.

26 c. The foundation property tax levy reduction pursuant to
27 this subsection shall be available if either of the following
28 apply:

29 (1) In the year preceding the reorganization or
30 dissolution, the school district affected by the
31 reorganization or the school district that dissolved had a
32 certified enrollment of fewer than six hundred pupils.

33 (2) In the year preceding the reorganization or
34 dissolution, the school district affected by the
35 reorganization or the school district that dissolved had a

1 certified enrollment of six hundred pupils or greater, and
2 entered into a reorganization or dissolution with one or more
3 school districts with a certified enrollment of fewer than six
4 hundred pupils. The amount of foundation property tax
5 reduction received by a school district qualifying for the
6 reduction pursuant to this subparagraph shall not exceed the
7 highest reduction amount provided in paragraphs "a" and "b"
8 received by any of the school districts with a certified
9 enrollment of fewer than six hundred pupils involved in the
10 reorganization pursuant to subparagraph (1) of this paragraph
11 "c".

12 d. For purposes of this section, a reorganized school
13 district is one which absorbs at least thirty percent of the
14 enrollment of the school district affected by a reorganization
15 or dissolved during a dissolution and in which action to bring
16 about a reorganization or dissolution is initiated by a vote
17 of the board of directors or jointly by the affected boards of
18 directors to take effect on or after July 1, 2002, and on or
19 before July 1, 2006. Each district which initiated, by a vote
20 of the board of directors or jointly by the affected boards,
21 action to bring about a reorganization or dissolution to take
22 effect on or after July 1, 2002, and on or before July 1,
23 2006, shall certify the date and the nature of the action
24 taken to the department of education by January 1 of the year
25 in which the reorganization or dissolution takes effect.

26 Sec. 2. EFFECTIVE DATE. This Act, being deemed of
27 immediate importance, takes effect upon enactment.

28 EXPLANATION

29 This bill provides for changes relating to school
30 reorganization incentives for specified school districts. The
31 bill provides that a school district with a certified
32 enrollment of 600 pupils or greater will qualify for a reduced
33 foundation property tax rate if the district meets the
34 requirements of Code section 257.3, subsection 2. Currently,
35 this subsection enables a school district with a certified

1 enrollment of fewer than 600 pupils to qualify for a
2 foundation property tax rate of \$4.40 per \$1,000 of assessed
3 value on all taxable property which, in the year preceding a
4 reorganization, was within a school district affected by a
5 reorganization or dissolution taking effect on or after July
6 1, 2002, and on or before July 1, 2006. The subsection also
7 provides that the reduced rate shall be increased in
8 subsequent years on a graduated basis of \$4.90 per \$1,000 of
9 assessed valuation the first succeeding year, \$5.15 per \$1,000
10 of assessed valuation the second succeeding year, and \$5.40
11 per \$1,000 of assessed valuation the third succeeding year and
12 each year thereafter.

13 The bill provides that the reduced rates shall be available
14 to a school district with a certified enrollment of 600 pupils
15 or greater if that district enters into a reorganization or
16 dissolution with a school district with a certified enrollment
17 of fewer than 600 pupils. The bill additionally provides that
18 the amount of property tax reduction for a school district
19 with a certified enrollment of 600 pupils or greater shall not
20 exceed the reduction amount received by a school district with
21 a certified enrollment of fewer than 600 pupils with which the
22 larger school district is involved in a reorganization or
23 dissolution.

24 The bill takes effect upon enactment.

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Description

School districts with fewer than 600 students that merge or dissolve will receive a \$1.00 reduction in their Uniform Levy Property Tax beginning the year before the merger or dissolution. Over the next three years, the Levy increases back to the standard \$5.40 per \$1,000 of taxable value. Senate File 205 makes changes to the school reorganization incentives so that the school district with more than 600 students that merges with a school district with fewer than 600 students receives the same incentive amount as the smaller school district. The General Fund State Aid will increase to offset the reduction in property tax related to the school reorganization incentive received by certain districts who merge or dissolve.

Assumptions

1. Fox Valley, Van Buren, and Davis County school districts are very likely to merge in FY 2005. Two other groups of school districts may merge: (1) Morning Sun and Wapello may merge into one district; and (2) Sumner, Fredericksburg, and Tripoli may also merge into one district.
2. Taxable valuations are projected to increase by 2.0% in FY 2004 and FY 2005 and by 1.0% in FY 2006.
3. Under current law, school districts with fewer than 600 students that merge or dissolve will receive a reduction to the Uniform Levy. The General Fund costs estimates are:

Fiscal Impact

Senate File 205 is projected to reduce Uniform Levy property taxes for the larger school districts by the following amounts. The General Fund State Aid to these school districts will increase by an equal amount to offset the reduction in property tax.

New General Fund Costs Created by the SF 205

Reorganizing Districts	FY 2005	FY 2006
<u>Very Likely to Merge</u>		
Van Buren	\$ 45,481	\$ 23,195
Davis County	45,481	23,195
Total	<u>\$ 90,962</u>	<u>\$ 46,390</u>
<u>May Merge</u>		
Sumner	\$ 107,672	\$ 54,913
Wapello	\$ 45,214	\$ 23,059

It is likely that there will be an increase in General Fund cost of \$90,000 in FY 2005 and \$46,000 in FY 2006. If the other potential mergers occur, the General Fund costs will increase by the amounts shown for Sumner or Wapello or both.

Source

Department of Education

/s/ Dennis C Prouty

April 17, 2003