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**STATE OF IOWA
LEGISLATIVE FISCAL BUREAU**

State Capitol
Des Moines, Iowa
50319

Memorandum

To: Legislative Fiscal Committee

Date: October 13, 2003

From: Dwayne Ferguson

Re: Change in Property Valuations

Recently the Department of Revenue and Finance (DRF) provided the Department of Management (DOM) with an updated property tax valuation estimate for FY 2005. The revised FY 2005 estimate is a negative 2.0% change, which was previously estimated as a positive 2.0% change. The decrease is primarily the result of an 18.0% decline in agricultural values.

This estimate is used in the School Aid Formula and directly affects the estimate of revenues from the Uniform Levy. The following table shows the impact of the revised property valuation estimate.

FY 2005 State Foundation Aid Funding Estimates
(Dollars in Millions)

Funding Source	Original 2.0% Evaluation	Revised -2.0% Evaluation	Funding Change
Property Tax	\$ 1,048.9	\$ 1,026.7	\$ -22.2
State Foundation Aid	1,869.8	1,892.1	22.2
Combined District Cost	<u>\$ 2,918.8</u>	<u>\$ 2,918.8</u>	<u>\$ 0.0</u>

In general, the regular program cost is determined by multiplying the state cost per pupil by the weighted enrollment. The foundation level is determined as 87.5% of the costs for basic and special education and 79.0% of the cost of Area Education Agency (AEA) special education support. The revenues from the uniform levy (property tax) are calculated, and General Fund State Aid makes up the difference between that amount and the foundation level. Additional property taxes pay the difference between the foundation level and the total district program cost. When the uniform levy revenues decrease, the State foundation aid increases by a like amount. The additional property tax rates would increase to raise approximately the same amount of revenue. The decrease in revenues from the agricultural class would be offset by increases to the other property tax classes and the State General Fund.

If you would like any additional information, please contact me. (1-6561).

Source:

Department of Management