

small business linked investments program as provided in section 12.43, and the value-added agricultural linked investment loan program as provided in section 12.43B.

b. The department of agriculture and land stewardship shall conduct a review of the horticultural and nontraditional crops linked investment loan program as provided in section 12.41, and the traditional livestock producers linked investment loan program as provided in section 12.43A.

2. In conducting the reviews, each department shall investigate the economic conditions that could justify the program under review and the need for the continuation or modification of the program. The departments shall jointly review the allocation of moneys to the programs.

3. The departments shall submit a combined report to the department of management which shall forward the report to the treasurer of state and to the general assembly on or before February 1, 2000. The report shall include findings and any recommendations. The report shall include a recommendation regarding the allocation of moneys to the programs.

Sec. 9. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

Approved May 24, 1999

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## CHAPTER 178

### SCHOOL FINANCE — STATE AID — GIFTED AND TALENTED CHILDREN PROGRAM PLANS

S.F. 459

**AN ACT** relating to state school aid for budget years beginning on or after July 1, 1999, and making appropriations and including effective and applicability date provisions.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section 257.1, subsection 2, unnumbered paragraph 2, Code 1999, is amended to read as follows:

For the budget year commencing July 1, ~~1996~~ 1999, and for each succeeding budget year the regular program foundation base per pupil is ~~\*eighty-seven and five-tenths eighty-eight\*~~ *eighty-eight* percent of the regular program state cost per pupil, ~~except that the regular program foundation base per pupil for the portion of weighted enrollment that is additional enrollment because of special education is seventy-nine percent of the regular program state cost per pupil.~~ For the budget year commencing July 1, ~~1991~~ 1999\*, and for each succeeding budget year the special education support services foundation base is ~~\*seventy-nine eighty-eight\*~~ *eighty-eight* percent of the special education support services state cost per pupil. The combined foundation base is the sum of the regular program foundation base and the special education support services foundation base.

Sec. 2. Section 257.8, Code 1999, is amended by adding the following new subsections:  
**NEW SUBSECTION.** 2A. Notwithstanding the calculation in subsection 2, the department of management shall calculate the regular program allowable growth for the budget year beginning July 1, 1999, *\*for a school district which has requested and received approval to fund a gifted and talented program pursuant to section 257.46, Code 1999, for the budget year beginning July 1, 1999,\** by multiplying the state percent of growth for the budget year

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\* Item veto; see message at end of the Act

by the regular program state cost per pupil for the base year, and add to the resulting product thirty-eight dollars. For purposes of determining the amount of a budget adjustment as defined in section 257.14, for a school district which calculated allowable growth for the budget year beginning July 1, 1999, pursuant to this subsection, thirty-eight dollars shall be subtracted from the school district's regular program cost per pupil for the budget year beginning July 1, 1999, prior to determining the amount of the adjustment.

**\*NEW SUBSECTION.** 2B. a. A school district which has not requested and received approval to fund a gifted and talented program pursuant to section 257.46, Code 1999, for the budget year beginning July 1, 1999, shall calculate the regular program allowable growth for the budget year beginning July 1, 1999, pursuant to subsection 2.

b. The board of directors of a school district which has not requested and received approval to fund a gifted and talented program pursuant to section 257.46, Code 1999, for the budget year beginning July 1, 1999, but seeks funding for such a program under subsection 2A for the budget year beginning July 1, 2000, may adopt a resolution requesting such funding and submit the resolution and a proposed gifted and talented program plan and budget to the department of education by October 1, 1999. The department shall review the request and, if it approves the request for funding, the department shall forward the approved request to the department of management.

c. A school district determining allowable growth pursuant to section 257.8, subsection 2, may apply to the school budget review committee for modified allowable growth pursuant to section 257.31, subsection 5, for the school budget year beginning July 1, 1999, and succeeding budget years.\*

**NEW SUBSECTION.** 2C. a. A school district which calculated allowable growth for the budget year beginning July 1, 1999, pursuant to the provisions of subsection 2A, shall calculate allowable growth pursuant to the provisions of subsection 2 for the school budget year beginning July 1, 2000, and succeeding budget years, utilizing a regular program state cost per pupil figure which incorporates the thirty-eight dollar increase in regular program allowable growth calculated for the budget year beginning July 1, 1999.

\*b. A school district which calculated allowable growth for the budget year beginning July 1, 1999, pursuant to the provisions of subsection 2B, shall calculate allowable growth pursuant to the provisions of subsection 2 for the school budget year beginning July 1, 2000, and succeeding budget years, utilizing a regular program state cost per pupil figure which does not incorporate the thirty-eight dollar increase in regular program allowable growth calculated for the budget year beginning July 1, 1999. However, if such school district receives approval for additional funding from the department for the gifted and talented program for the budget year beginning July 1, 2000, under subsection 2B, paragraph "b", the school district shall receive allowable growth for the budget year beginning July 1, 2000, and subsequent budget years in the manner provided for school districts under paragraph "a" of this subsection.\*

**NEW SUBSECTION.** 4. For budget years beginning July 1, 2000, and subsequent budget years, references to the terms "allowable growth", "regular program state cost per pupil", and "regular program district cost per pupil" shall mean those terms as calculated for those school districts that calculated *\*or did not calculate\** regular program allowable growth for the school budget year beginning July 1, 1999, with the additional thirty-eight dollars\*, as applicable\*.

Sec. 3. Section 257.10, subsection 5, Code 1999, is amended to read as follows:

5. **COMBINED DISTRICT COST PER PUPIL.** The combined district cost per pupil for a school district is the sum of the regular program district cost per pupil and the special education support services district cost per pupil. Combined district cost per pupil does not include additional allowable growth added for school districts that have a negative balance of funds raised for special education instruction programs, additional allowable growth granted by the school budget review committee for a single school year, or additional

\* Item veto; see message at end of the Act

allowable growth added for programs for dropout prevention ~~and for programs for gifted and talented children.~~

*\*Sec. 4. NEW SECTION. 257.14A ON-TIME FUNDING FOR SPECIAL EDUCATION.*

*Commencing with the budget year beginning July 1, 2000, if a school district's additional enrollment because of special education determined by the district on December 1 in the budget year is greater than its additional enrollment because of special education determined by the district on December 1 in the base year, the school district is entitled to on-time funding from the state in an amount equal to its district cost per pupil for the budget year multiplied by the district's increase in additional enrollment because of special education. The additional funding shall be miscellaneous income.*

*For the purpose of this section, a school district's additional enrollment because of special education is determined by multiplying the weighting for each category of child under section 256B.9 times the number of children in each category totaled for all categories minus the total number of children in all categories.*

*If a district receives additional funding under this section for a budget year, the department of management shall determine the amount of the additional funding which would have been generated by local property tax revenues in proportion to the amount of funding actually received pursuant to this section, if the additional enrollment because of special education in the budget year had been used for that budget year in determining combined district cost, shall reduce, but not by more than the amount of the additional funding, the district's total state school aids available under this chapter for the next following budget year by the amount so determined, and shall increase the district's additional property tax levy for the next following budget year by the amount necessary to compensate for the reduction in state aid, so that the local property tax for the next following year will be increased only by the amount which would have been increased in the budget year if the additional enrollment because of special education in the budget year could have been used to establish the levy.*

*There is appropriated for the fiscal year beginning July 1, 2000, and each succeeding fiscal year, from the general fund of the state to the department of education, the amount required to pay on-time funding authorized under this section, up to a maximum of thirteen million dollars annually, which shall be paid to school districts in the same manner as other state aids are paid under section 257.16. If the amount appropriated is insufficient to provide the full amount of on-time funding, the payments to school districts shall be prorated such that each school district shall receive an amount of on-time funding equal to the percentage that the on-time funding to be provided to the school district bears to the total amount of on-time funding to be provided to all school districts.\**

Sec. 5. Section 257.42, unnumbered paragraphs 1, 4, and 5, Code 1999, are amended to read as follows:

Boards of school districts, individually or jointly with the boards of other school districts, ~~requesting to use additional allowable growth for gifted and talented children programs, may~~ shall annually submit program plans for gifted and talented children programs and budget costs, ~~including requests for additional allowable growth for funding the programs,~~ to the department of education and to the applicable gifted and talented children advisory council, if an advisory council has been established, as provided in this chapter.

The department of education shall adopt rules under chapter 17A relating to the administration of sections 257.42 through 257.49. The rules shall prescribe the format of program plans submitted under section 257.43 and shall require that programs fulfill specified objectives. The department shall encourage and assist school districts to provide programs for gifted and talented children ~~whether or not additional allowable growth is requested under this chapter.~~

The department may request that the staff of the auditor of state conduct an independent program audit to verify that the gifted and talented programs ~~funded by additional allowable growth~~ conform to a district's program plans.

\* Item veto; see message at end of the Act

Sec. 6. Section 257.43, Code 1999, is amended to read as follows:

257.43 PROGRAM PLANS.

The program plans submitted by school districts shall be part of the school improvement plan submitted pursuant to section 256.7, subsection 21, paragraph "a", and shall include all of the following:

1. Program goals, objectives, and activities to meet the needs of gifted and talented children.
2. Student identification criteria and procedures.
3. Staff in-service education design.
4. Staff utilization plans.
5. Evaluation criteria and procedures and performance measures.
6. Program budget.
7. Qualifications required of personnel administering the program.
8. Other factors the department requires.

Sec. 7. Section 257.45, subsection 1, Code 1999, is amended to read as follows:

1. The board of directors of a school district ~~requesting to use additional allowable growth for gifted and talented children programs~~ shall submit applications for approval for the programs to the department not later than November 1 preceding the fiscal year during which the program will be offered. The board shall also submit a copy of the program plans to the gifted and talented children advisory council, if an advisory council has been established. The department shall review the program plans and shall prior to January 15 either grant approval for the program or return the request for approval with comments of the department included. Any unapproved request for a program may be resubmitted with modifications to the department not later than a date established by the department. Not later than February 15 the department shall notify the department of management and the school budget review committee of the names of the school districts for which gifted and talented children programs ~~using additional allowable growth for funding~~ have been approved and the approved budget of each program listed separately for each school district having an approved program.

Sec. 8. Section 257.46, Code 1999, is amended to read as follows:

257.46 FUNDING.

1. The budget of an approved gifted and talented children program for a school district, after subtracting funds received from other sources for that purpose, shall be funded annually on a basis of one-fourth or more from the district cost of the school district ~~and up to three fourths by an increase in allowable growth as defined in section 257.8. The approved budget for a gifted and talented children program shall not exceed an amount equal to one and twenty four hundredths percent of the district cost per pupil of the district for the base year multiplied by the budget enrollment of the district for the budget year. Annually, the department of management shall establish a modified allowable growth for each such district equal to the difference between the approved budget for the gifted and talented children program for that district and the sum of the amount funded from the district cost of the school district plus funds received from other sources.~~

2. The remaining portion of the budget shall be funded by the thirty-eight dollar increase in allowable growth for the school budget year beginning July 1, 1999, increased by the growth of the regular program district cost each year\*, or by modified allowable growth received from the school budget review committee, pursuant to the applicable provisions of section 257.8\*. School districts shall annually report the amount expended for a gifted and talented program to the department of education. The proportion of a school district's budget which corresponds to the thirty-eight dollar increase in allowable growth for the school budget year beginning July 1, 1999, \*if applicable, or the modified allowable growth,\* added to the amount in subsection 1, shall be utilized exclusively for a school district's talented and gifted program.

\* Item veto; see message at end of the Act

3. If any portion of the gifted and talented program budget remains unexpended at the end of the budget year, ~~the part of the remainder equal to the proportion of the original budget which was funded by an increase in allowable growth, as defined in section 257.8,~~ shall be carried over to the subsequent budget year and added to the gifted and talented program budget for that year.

\*Sec. 9. 1989 Iowa Acts, chapter 135, section 135, is repealed effective July 1, 1999. Legislative review of the provisions of chapter 257 shall occur every five years, with the first such review to begin no later than July 1, 2004.\*

Sec. 10. APPLICABILITY DATE. This Act, being deemed of immediate importance, takes effect upon enactment for the computation of state school aid for school budget years beginning on or after July 1, 1999.

Approved May 24, 1999, with exceptions noted.

THOMAS J. VILSACK, Governor

Dear Mr. Secretary:

I hereby transmit Senate File 459, an Act relating to state school aid for budget years beginning on or after July 1, 1999, and making appropriations and including effective and applicability date provisions.

This bill is the major property tax relief bill approved during this legislative session. I applaud the Legislature's focus on property tax relief. While I had initially recommended that the state focus its property tax relief on the mental health system, I am willing to compromise with the Legislature and accept this version, which targets property tax relief through the school aid formula.

Unfortunately, the Legislature's tax cut and tax expenditure decisions did not extend the spirit of cooperation I sought to develop by showing flexibility on the sources of property tax relief. The measures that the Legislature presented to me would, under regular budget and revenue assumptions, lead to a general fund budget deficit in the fiscal year beginning July 1, 2000. That is unacceptable, and I am forced to closely scrutinize bills such as this one to ensure that the budget stays balanced and critical services like education and health care can be provided to the citizens of Iowa.

It is notable that this bill also includes changes to the way that we fund school programs for talented and gifted students. I support those efforts and have approved that portion of the bill. It is ironic, however, that the tax cut and tax expenditure decisions made by the Legislature, if approved, could jeopardize the funding for efforts such as this in future years.

Nearly sixty percent of our state's budget goes to educate our children and those pursuing higher education. It must be our highest priority. If we gamble that the state budget will do better than predicted, we risk having to make severe cuts compromising our ability to educate our children. That is a risk that I am unwilling to take.

As a result, I have been forced to make hard choices. Although property tax relief is a high priority, I cannot accept the level provided in this bill. To do so would threaten our children's health and education, nursing home care for senior citizens, and our public safety. That is a risk that I am unwilling to take.

For these reasons, Senate File 459 is, therefore, approved on this date with the following exceptions, which I hereby disapprove.

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\* Item veto; see message at end of the Act

I am unable to approve three designated portions of Section 1. These items would raise the regular program foundation base per pupil to eighty-eight percent of the regular program state cost per pupil and raise the special education support services foundation base to the same level. I have, however, approved raising the regular program foundation base per pupil for the portion of weighted enrollment that is additional enrollment because of special education to eighty-seven and five tenths percent. This will provide \$22 million a year in additional property tax relief for Iowa's taxpayers.

I am unable to approve five designated portions of Section 2. All school districts are required to have programs for talented and gifted students. This bill would provide that school districts that did not request approval to levy additional property taxes to fund their talented and gifted program would not receive the additional thirty-eight dollar increase in regular program allowable growth. I believe all school districts should have the opportunity to benefit from this change in the school aid formula. The effect of my item vetoes is to provide this assistance for all districts.

I am unable to approve the item designated as Section 4 in its entirety. This would give school districts their budget authority based upon the greater of the special education weighted enrollment in the budget year or base year. This "on-time funding" only partially resolves the issue of negative special education fund balances. While \$13 million is provided to pay for special education enrollment increases, last year school districts with negative balances spent \$19.9 million more than the special education weighting plan generated to cover the actual expenditures for students served. The complexity of special education services and funding needs to be addressed in a more comprehensive manner that includes support for students, especially during the early grades, who need additional help and are at-risk of failing.

I am unable to approve two designated portions of Section 8. These vetoes conform to earlier actions taken in vetoes of Section 2.

I am unable to approve the item designated as Section 9 in its entirety. This would remove the requirement that the legislature rewrite the school aid formula and would replace it with 5-year review of the formula with the first review not required until July 1, 2004. The school aid formula changes for talented and gifted programs contained in this bill are a perfect example of why we need to regularly rewrite the formula. There are a variety of pressing issues facing schools, including school building maintenance and construction, dealing with districts with both advancing and declining enrollments, and supplemental weighting. These issues cannot wait to be resolved until the year 2004.

For the above reasons, I hereby respectfully approve Senate File 459 with the exceptions noted above.

Sincerely,  
THOMAS J. VILSACK, *Governor*