

JAN 26 2005
EDUCATION

HOUSE FILE 139
BY PAULSEN and DIX

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the state school foundation program by
2 increasing the regular program foundation base, and providing
3 an effective date.

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

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HF 139

1 Section 1. Section 257.1, subsection 2, unnumbered
2 paragraph 2, Code 2005, is amended by striking the unnumbered
3 paragraph and inserting in lieu thereof the following:

4 The regular program foundation base per pupil is the
5 following:

6 a. For the budget year commencing July 1, 2005, the
7 regular program foundation base per pupil is eighty-nine and
8 twenty-eight hundredths percent of the regular program state
9 cost per pupil.

10 b. For the budget year commencing July 1, 2006, the
11 regular program foundation base per pupil is ninety-one and
12 six hundredths percent of the regular program state cost per
13 pupil.

14 c. For the budget year commencing July 1, 2007, the
15 regular program foundation base per pupil is ninety-two and
16 eighty-four hundredths percent of the regular program state
17 cost per pupil.

18 d. For the budget year commencing July 1, 2008, the
19 regular program foundation base per pupil is ninety-four and
20 sixty-two hundredths percent of the regular program state cost
21 per pupil.

22 e. For the budget year commencing July 1, 2009, the
23 regular program foundation base per pupil is ninety-six and
24 forty hundredths percent of the regular program state cost per
25 pupil.

26 f. For the budget year commencing July 1, 2010, the
27 regular program foundation base per pupil is ninety-eight and
28 eighteen hundredths percent of the regular program state cost
29 per pupil.

30 g. For the budget year commencing July 1, 2011, and
31 succeeding budget years, the regular program foundation base
32 per pupil is one hundred percent of the regular program state
33 cost per pupil.

34 For each budget year the special education support services
35 foundation base is seventy-nine percent of the special

1 education support services state cost per pupil. The combined
2 foundation base is the sum of the regular program foundation
3 base and the special education support services foundation
4 base.

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

7 EXPLANATION

8 This bill provides for an increase in the regular program
9 foundation base under the state school foundation program.
10 The foundation base is the specified percentage of the state
11 cost per pupil calculation which is paid as state aid to
12 school districts, above and beyond the uniform property tax
13 levy imposed in Code section 257.3. The increase would be
14 gradually phased in over a seven-year period in equal annual
15 increments, from the current foundation base level of 87.5
16 percent to the level of 100 percent.

17 The bill takes effect upon enactment.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 139 - School Foundation Level (LSB 2134 YH)

Analyst: Dwayne Ferguson (Phone: (515) 281-6561) (dwayne.ferguson@legis.state.ia.us)

Fiscal Note Version - New

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

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

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 \$96.9 million in the final year.

Sources

Department of Management
 Department of Education

February 7, 2005

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.

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 139 - School Foundation Level (LSB 2134 YH)

Analyst: Dwayne Ferguson (Phone: (515) 281-6561) (dwayne.ferguson@legis.state.ia.us)

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

February 7, 2005

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