

FILED FEB 15 2006

SENATE FILE 2221

BY COMMITTEE ON EDUCATION

(SUCCESSOR TO SSB 1158)

Passed Senate, Date _____ Passed House, Date _____

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

Approved _____

A BILL FOR

1 An Act extending the reduction in the foundation property tax
2 levy for reorganized and dissolved districts, extending
3 supplementary weighting for whole grade sharing, providing
4 supplementary weighting for shared school district operational
5 functions, and providing effective and applicability dates.

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

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SF 2221

1 Section 1. Section 257.3, subsection 2, paragraph d, Code
2 2005, is amended to read as follows:

3 d. For purposes of this section, a reorganized school
4 district is one which absorbs at least thirty percent of the
5 enrollment of the school district affected by a reorganization
6 or dissolved during a dissolution and in which action to bring
7 about a reorganization or dissolution is initiated by a vote
8 of the board of directors or jointly by the affected boards of
9 directors to take effect on or after July 1, ~~2002~~ 2006, and on
10 or before July 1, ~~2006~~ 2010. Each district which initiated,
11 by a vote of the board of directors or jointly by the affected
12 boards, action to bring about a reorganization or dissolution
13 to take effect on or after July 1, ~~2002~~ 2006, and on or before
14 July 1, ~~2006~~ 2010, shall certify the date and the nature of
15 the action taken to the department of education by January 1
16 of the year in which the reorganization or dissolution takes
17 effect.

18 Sec. 2. Section 257.11, subsection 2, paragraph c, Code
19 Supplement 2005, is amended by striking the paragraph and
20 inserting in lieu thereof the following:

21 c. Pupils attending class for all or a substantial portion
22 of a school day pursuant to a whole grade sharing agreement
23 executed under sections 282.10 through 282.12 shall be
24 eligible for supplementary weighting pursuant to this
25 subsection. A school district which executes a whole grade
26 sharing agreement and which adopts a resolution jointly with
27 the other affected boards to study the question of undergoing
28 a reorganization or dissolution to take effect on or before
29 July 1, 2010, shall receive a weighting of one-tenth of the
30 percentage of the pupil's school day during which the pupil
31 attends classes in another district, attends classes taught by
32 a teacher who is jointly employed under section 280.15, or
33 attends classes taught by a teacher who is employed by another
34 school district. A district shall be eligible for
35 supplementary weighting pursuant to this paragraph for a

1 maximum of three years. Receipt of supplementary weighting
2 for a second and third year shall be conditioned upon
3 submission of information resulting from the study to the
4 school budget review committee indicating progress toward the
5 objective of reorganization on or before July 1, 2010.

6 Sec. 3. Section 257.11, Code Supplement 2005, is amended
7 by adding the following new subsection:

8 NEW SUBSECTION. 5A. SHARED OPERATIONAL FUNCTIONS --
9 INCREASED STUDENT OPPORTUNITIES.

10 a. In order to provide additional funding to increase
11 student opportunities for school districts that share
12 operational functions, a supplementary weighting plan for
13 determining enrollment is adopted. A supplementary weighting
14 of two hundredths per pupil shall be assigned to pupils
15 enrolled in a district that shares with a political
16 subdivision one or more operational functions in the areas of
17 business management, human resources, transportation, or
18 operation and maintenance for at least one-third of the school
19 year. For the purposes of this section, "political
20 subdivision" means a city, county, township, school
21 corporation, merged area, area education agency, institution
22 governed by the state board of regents, or any other
23 governmental subdivision. For the purposes of this section,
24 shared operational functions between school districts in the
25 area of human resources shall include, but not be limited to,
26 the sharing of the position of curriculum director.

27 b. Supplementary weighting pursuant to this subsection
28 shall be available to a school district for a maximum of five
29 years during the period commencing with the budget year
30 beginning July 1, 2007, through the budget year beginning July
31 1, 2013. The minimum amount of additional weighting for which
32 a school district shall be eligible is an amount corresponding
33 to ten additional pupils, and the maximum amount of additional
34 weighting for which a school district shall be eligible is an
35 amount corresponding to twenty additional pupils. Receipt of

1 supplementary weighting by a school district pursuant to this
2 subsection for more than one year shall be contingent upon the
3 annual submission of information by the district to the
4 department documenting cost savings directly attributable to
5 the shared operational functions. Criteria for determining
6 qualification of operational functions for supplementary
7 weighting shall be determined by the department by rule,
8 through consideration of long-term savings by the school
9 district or increased student opportunities. The department
10 shall regularly post examples of shared operational functions
11 resulting in cost savings to a school district on the
12 department's website.

13 c. Amounts received as supplementary weighting for shared
14 operational functions pursuant to this subsection, and for any
15 savings realized through the sharing of such functions, shall
16 be utilized by a school district to increase student
17 opportunities.

18 d. This subsection is repealed effective June 30, 2014.

19 Sec. 4. Section 257.11A, Code 2005, is amended to read as
20 follows:

21 257.11A SUPPLEMENTARY WEIGHTING AND SCHOOL REORGANIZATION.

22 1. In determining weighted enrollment under section 257.6,
23 if the board of directors of a school district has approved a
24 contract for sharing pursuant to section 257.11 and the school
25 district has approved an action to bring about a
26 reorganization to take effect on and after July 1, ~~2002~~ 2006,
27 and on or before July 1, ~~2006~~ 2010, the reorganized school
28 district shall include, for a period of three years following
29 the effective date of the reorganization, additional pupils
30 added by the application of the supplementary weighting plan,
31 equal to the pupils added by the application of the
32 supplementary weighting plan in the year preceding the
33 reorganization. For the purposes of this subsection, the
34 weighted enrollment for the period of three years following
35 the effective date of reorganization shall include the

1 supplementary weighting in the base year used for determining
2 the combined district cost for the first year of the
3 reorganization. However, the weighting shall be reduced by
4 the supplementary weighting added for a pupil whose residency
5 is not within the reorganized district.

6 2. For purposes of this section, a reorganized district is
7 one in which the reorganization was approved in an election
8 pursuant to sections 275.18 and 275.20 and takes effect on or
9 after July 1, ~~2002~~ 2006, and on or before July 1, ~~2006~~ 2010.
10 Each district which initiates, by a vote of the board of
11 directors or jointly by the affected boards, action to bring
12 about a reorganization or dissolution to take effect on or
13 after July 1, ~~2002~~ 2006, and on or before July 1, ~~2006~~ 2010,
14 shall certify the date and the nature of the action taken to
15 the department of education by January 1 of the year in which
16 the reorganization or dissolution takes effect.

17 ~~3.---Notwithstanding-subsection-17-a-school-district-which~~
18 ~~was-participating-in-a-whole-grade-sharing-arrangement-during~~
19 ~~the-budget-year-beginning-July-1, 2001, and which received a~~
20 ~~maximum-of-two-years-of-supplementary-weighting-pursuant-to~~
21 ~~section-257.11, subsection-2, paragraph-"c", shall include~~
22 ~~additional-pupils-added-by-the-application-of-the~~
23 ~~supplementary-weighting-plan, equal-to-the-pupils-added-by-the~~
24 ~~application-of-the-supplementary-weighting-plan-in-the-year~~
25 ~~preceding-the-reorganization, for-a-period-of-four-years~~
26 ~~following-the-effective-date-of-the-reorganization.~~

27 4. 3. A school district shall be eligible for a combined
28 maximum total of six years of supplementary weighting under
29 the provisions of this section and section 257.11, subsection
30 2, paragraph "c".

31 4. If the board of directors of a school district approved
32 a contract for sharing pursuant to section 257.11 and the
33 school district approved an action to bring about a
34 reorganization to take effect on and after July 1, 2002, and
35 on or before July 1, 2006, the reorganized school district

1 shall include the additional pupils added by the application
2 of the supplementary weighting plan equal in amount and
3 duration to the supplementary weighting for which the school
4 district was eligible pursuant to the provisions of this
5 section in effect prior to July 1, 2006.

6 Sec. 5. EFFECTIVE AND APPLICABILITY DATES.

7 1. The sections of this Act amending section 257.3 by
8 extending the reduction in the foundation property tax levy
9 for reorganized or dissolved districts, and sections 257.11
10 and 257.11A by extending supplementary weighting for whole
11 grade sharing, being deemed of immediate importance, take
12 effect upon enactment.

13 2. The section of this Act amending section 257.11 by
14 providing supplementary weighting for shared operational
15 functions takes effect July 1, 2006, and is first applicable
16 for the school budget year beginning July 1, 2007.

17 EXPLANATION

18 This bill extends existing provisions relating to a reduced
19 foundation property tax levy, and to the receipt of
20 supplementary weighting, as reorganization incentives to
21 school districts, and provides new supplementary weighting for
22 school districts which share operational functions with a
23 political subdivision.

24 The bill provides for an extension of current provisions
25 which reduce the level of the foundation property tax levy in
26 school districts which have undergone a reorganization or
27 dissolution. Currently, the reduction takes place if a school
28 district reorganizes or dissolves taking effect on or after
29 July 1, 2002, and on or before July 1, 2006. The bill changes
30 these dates to 2006 and 2010, respectively.

31 The bill extends the dates contained in Code section
32 257.11, subsection 2, paragraph "c", for a period of four
33 years. Currently, the paragraph provides that a specified
34 amount of supplementary weighting may be received by a school
35 district that has entered into a whole grade sharing agreement

1 pursuant to Code sections 282.10 through 282.12, for a maximum
2 of three years, if the school district adopts a resolution
3 jointly with the other affected boards to study the question
4 of undergoing a reorganization or dissolution to take effect
5 on or after July 1, 2001, and on or before July 1, 2006. The
6 paragraph also currently provides that a school district that
7 was not participating in a whole grade sharing agreement
8 during the budget year beginning July 1, 2000, and which
9 executes a whole grade sharing agreement in any succeeding
10 budget year through the budget year beginning July 1, 2005,
11 and that adopts a resolution jointly with the other affected
12 boards to study the question of undergoing a reorganization or
13 dissolution to take effect on or before July 1, 2006, shall
14 receive the supplementary weighting for a period of three
15 years. The bill changes the applicable dates so that the
16 supplementary weighting is now available to school districts
17 participating in a whole grade sharing agreement and studying
18 the question of reorganization or dissolution to take effect
19 for the school budget year beginning July 1, 2006, through the
20 budget year beginning July 1, 2010. The bill also eliminates
21 the provision making a distinction between receiving
22 supplementary weighting for two versus three years depending
23 on whether or not the school district had previously entered
24 into a whole grade sharing agreement, such that all school
25 districts entering into a whole grade sharing agreement
26 qualify for three years of supplementary weighting.

27 The bill makes corresponding date changes to Code section
28 257.11A, which provides an additional three years of
29 supplementary weighting for school districts that were
30 receiving it pursuant to Code section 257.11, subsection 2,
31 paragraph "c", and then went on to actually reorganize or
32 dissolve. Accordingly, the weighting will be available if a
33 board of directors of a school district has approved a
34 contract for sharing pursuant to Code section 257.11 and the
35 school district has approved an action to bring about a

SENATE FILE 2221

S-5096

- 1 Amend Senate File 2221 as follows:
- 2 1. Page 2, by striking lines 23 through 26 and
- 3 inserting the following: "governmental subdivision."

By BOB BRUNKHORST
MIKE CONNOLLY

S-5096 FILED MARCH 20, 2006

SENATE FILE 2221

S-5043

- 1 Amend Senate File 2221 as follows:
- 2 1. Page 3, line 5, by inserting after the word
- 3 "determining" the following: "the number of years for
- 4 which supplementary weighting shall be received
- 5 pursuant to this subsection, subject to the five-year
- 6 maximum, and for determining".

By BOB BRUNKHORST

S-5043 FILED MARCH 9, 2006

SENATE FILE 2221

S-5111

- 1 Amend Senate File 2221 as follows:
- 2 1. Page 5, by striking lines 7 through 12.
- 3 2. Page 5, line 13, by striking the figure "2."

By BOB BRUNKHORST
MIKE CONNOLLY

S-5111 FILED MARCH 21, 2006
ADOPTED

Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 2221 - School Sharing Incentives (LSB 6491 SV)
Analyst: Dwayne Ferguson (Phone: [515] 281-6561) (dwayne.ferguson@legis.state.ia.us)
Fiscal Note Version - New

Description

Senate File 2221 extends the sunset date to July 1, 2010, for the three-year incentive reduction to the Uniform Levy for school districts that reorganize. The incentive was to end July 1, 2006. Merged school districts receive a reduction of \$1 per \$1,000 taxable valuation in the first year after reorganization; \$0.50 per \$1,000 reduction the second year; and \$0.25 per \$1,000 reduction in the last year. The whole-grade sharing incentive is also extended to July 1, 2010. The Bill creates a new shared weighting of 0.02 per pupil for sharing operational functions (business management, human resources, transportation or operation and maintenance) with another political subdivision or for sharing curriculum director with other school districts. The shared operational function has a minimum weighting of 10 additional pupils and a maximum weighting of 20 additional pupils. The shared operational function weighting sunsets at the end of FY 2014.

Assumptions

1. The number of school districts that merge and receive the Uniform Levy reduction incentive varies in any given year. No districts reorganized in FY 2003; two districts merged in FY 2004; two pairs of school districts merged and one dissolved in FY 2005; and two pairs of school districts merged in FY 2006. Nine districts received the incentive in FY 2006 totaling \$537,000 which was paid from the State General Fund in State Foundation Aid.
2. Whole-grade sharing weighting began in FY 2003. The lowest annual cost was estimated to be \$423,000 in FY 2004, and the highest annual cost was estimated to be \$612,000 in FY 2006. These costs are split with 87.5% from State Foundation Aid and 12.5% from Foundation property taxes.
3. The FY 2008 State cost per pupil will be \$5,333 with a 4.0% allowable growth rate when the weighting for shared operational functions begins. The costs for this weighting will be split 87.5% from State Foundation Aid and 12.5% from Foundation property taxes. School districts with a per pupil cost greater than the State cost per pupil will pay that difference through the Additional Levy property tax.
4. Using the \$5,333 State cost per pupil to estimate the shared operational function weighting, the cost for the minimum 10 pupil weighting will be approximately \$53,000, and the cost for the maximum 20 pupil weighting will be approximately \$107,000. It is assumed that smaller districts will be more motivated to participate in operational function sharing. The maximum FY 2008 costs would be approximately \$28.1 million if all school districts participated. The estimated FY 2008 costs for all school districts up to the specified sizes to receive the new weighting are:

FY 2008 Estimated Costs
(Dollars in Millions)

<u>District Size</u>	<u>Weighting</u>	<u>Total Cost</u>	<u>State Aid</u>	<u>Property Tax</u>
<700	2,130.0	\$ 11.4	\$ 9.9	\$ 1.4
<1,000	3,012.5	16.1	14.1	2.0
<2,000	4,432.5	23.6	20.7	3.0
<3,000	4,692.5	25.0	21.9	3.1
<4,000	4,792.5	25.6	22.4	3.2
<5,000	4,952.5	26.4	23.1	3.3
All Districts	5,272.5	28.1	24.6	3.5

5. There are 226 districts without curriculum directors, and these districts are likely to cooperate and hire shared curriculum directors because of the shared operational function weighting. If these are the 226 smallest school districts, their combined FY 2008 shared operational function weighting would be 2,545.0 and would cost approximately \$13.6 million. This is the likely minimum cost for the new weighting.

Fiscal Impact

Extending the Uniform Levy reduction and the whole grade sharing weighting could cost the State General Fund over \$1.0 million in FY 2007 and succeeding years if usage continues at a rate similar to recent years. Property taxes would cost approximately \$70,000 per year for the extension.

Implementing the shared operational function weighting will likely cost a minimum of \$13.6 million in FY 2008, with \$11.9 million from the State Foundation Aid and \$1.7 million from the Foundation property taxes.

The combined FY 2008 costs will likely exceed \$12.9 million for the State General Fund and \$1.8 million in School Foundation property taxes.

Sources

Department of Education
Department of Management

/s/ Holly M. Lyons

March 9, 2006

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.

SENATE FILE 2221
BY COMMITTEE ON EDUCATION

(SUCCESSOR TO SSB 1158)

(AS AMENDED AND PASSED BY THE SENATE MARCH 21, 2006)

- _____ - New Language by the Senate
* - Language Stricken by the Senate

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

A BILL FOR

1 An Act extending the reduction in the foundation property tax
2 levy for reorganized and dissolved districts, extending
3 supplementary weighting for whole grade sharing, providing
4 supplementary weighting for shared school district operational
5 functions, and providing effective and applicability dates.

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

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S.F. 2221

1 Section 1. Section 257.3, subsection 2, paragraph d, Code
2 2005, is amended to read as follows:

3 d. For purposes of this section, a reorganized school
4 district is one which absorbs at least thirty percent of the
5 enrollment of the school district affected by a reorganization
6 or dissolved during a dissolution and in which action to bring
7 about a reorganization or dissolution is initiated by a vote
8 of the board of directors or jointly by the affected boards of
9 directors to take effect on or after July 1, ~~2002~~ 2006, and on
10 or before July 1, ~~2006~~ 2010. Each district which initiated,
11 by a vote of the board of directors or jointly by the affected
12 boards, action to bring about a reorganization or dissolution
13 to take effect on or after July 1, ~~2002~~ 2006, and on or before
14 July 1, ~~2006~~ 2010, shall certify the date and the nature of
15 the action taken to the department of education by January 1
16 of the year in which the reorganization or dissolution takes
17 effect.

18 Sec. 2. Section 257.11, subsection 2, paragraph c, Code
19 Supplement 2005, is amended by striking the paragraph and
20 inserting in lieu thereof the following:

21 c. Pupils attending class for all or a substantial portion
22 of a school day pursuant to a whole grade sharing agreement
23 executed under sections 282.10 through 282.12 shall be
24 eligible for supplementary weighting pursuant to this
25 subsection. A school district which executes a whole grade
26 sharing agreement and which adopts a resolution jointly with
27 the other affected boards to study the question of undergoing
28 a reorganization or dissolution to take effect on or before
29 July 1, 2010, shall receive a weighting of one-tenth of the
30 percentage of the pupil's school day during which the pupil
31 attends classes in another district, attends classes taught by
32 a teacher who is jointly employed under section 280.15, or
33 attends classes taught by a teacher who is employed by another
34 school district. A district shall be eligible for
35 supplementary weighting pursuant to this paragraph for a

1 maximum of three years. Receipt of supplementary weighting
2 for a second and third year shall be conditioned upon
3 submission of information resulting from the study to the
4 school budget review committee indicating progress toward the
5 objective of reorganization on or before July 1, 2010.

6 Sec. 3. Section 257.11, Code Supplement 2005, is amended
7 by adding the following new subsection:

8 NEW SUBSECTION. 5A. SHARED OPERATIONAL FUNCTIONS --
9 INCREASED STUDENT OPPORTUNITIES.

10 a. In order to provide additional funding to increase
11 student opportunities for school districts that share
12 operational functions, a supplementary weighting plan for
13 determining enrollment is adopted. A supplementary weighting
14 of two hundredths per pupil shall be assigned to pupils
15 enrolled in a district that shares with a political
16 subdivision one or more operational functions in the areas of
17 business management, human resources, transportation, or
18 operation and maintenance for at least one-third of the school
19 year. For the purposes of this section, "political
20 subdivision" means a city, county, township, school
21 corporation, merged area, area education agency, institution
22 governed by the state board of regents, or any other
23 governmental subdivision.

24 b. Supplementary weighting pursuant to this subsection
25 shall be available to a school district for a maximum of five
26 years during the period commencing with the budget year
27 beginning July 1, 2007, through the budget year beginning July
28 1, 2013. The minimum amount of additional weighting for which
29 a school district shall be eligible is an amount corresponding
30 to ten additional pupils, and the maximum amount of additional
31 weighting for which a school district shall be eligible is an
32 amount corresponding to twenty additional pupils. Receipt of
33 supplementary weighting by a school district pursuant to this
34 subsection for more than one year shall be contingent upon the
35 annual submission of information by the district to the

1 department documenting cost savings directly attributable to
2 the shared operational functions. Criteria for determining
3 the number of years for which supplementary weighting shall be
4 received pursuant to this subsection, subject to the five-year
5 maximum, and for determining qualification of operational
6 functions for supplementary weighting shall be determined by
7 the department by rule, through consideration of long-term
8 savings by the school district or increased student
9 opportunities. The department shall regularly post examples
10 of shared operational functions resulting in cost savings to a
11 school district on the department's website.

12 c. Amounts received as supplementary weighting for shared
13 operational functions pursuant to this subsection, and for any
14 savings realized through the sharing of such functions, shall
15 be utilized by a school district to increase student
16 opportunities.

17 d. This subsection is repealed effective June 30, 2014.

18 Sec. 4. Section 257.11A, Code 2005, is amended to read as
19 follows:

20 257.11A SUPPLEMENTARY WEIGHTING AND SCHOOL REORGANIZATION.

21 1. In determining weighted enrollment under section 257.6,
22 if the board of directors of a school district has approved a
23 contract for sharing pursuant to section 257.11 and the school
24 district has approved an action to bring about a
25 reorganization to take effect on and after July 1, ~~2002~~ 2006,
26 and on or before July 1, ~~2006~~ 2010, the reorganized school
27 district shall include, for a period of three years following
28 the effective date of the reorganization, additional pupils
29 added by the application of the supplementary weighting plan,
30 equal to the pupils added by the application of the
31 supplementary weighting plan in the year preceding the
32 reorganization. For the purposes of this subsection, the
33 weighted enrollment for the period of three years following
34 the effective date of reorganization shall include the
35 supplementary weighting in the base year used for determining

1 the combined district cost for the first year of the
2 reorganization. However, the weighting shall be reduced by
3 the supplementary weighting added for a pupil whose residency
4 is not within the reorganized district.

5 2. For purposes of this section, a reorganized district is
6 one in which the reorganization was approved in an election
7 pursuant to sections 275.18 and 275.20 and takes effect on or
8 after July 1, 2002 2006, and on or before July 1, 2006 2010.
9 Each district which initiates, by a vote of the board of
10 directors or jointly by the affected boards, action to bring
11 about a reorganization or dissolution to take effect on or
12 after July 1, 2002 2006, and on or before July 1, 2006 2010,
13 shall certify the date and the nature of the action taken to
14 the department of education by January 1 of the year in which
15 the reorganization or dissolution takes effect.

16 ~~3. Notwithstanding subsection 17-a school district which~~
17 ~~was participating in a whole grade sharing arrangement during~~
18 ~~the budget year beginning July 1, 2001, and which received a~~
19 ~~maximum of two years of supplementary weighting pursuant to~~
20 ~~section 257.11, subsection 2, paragraph "c", shall include~~
21 ~~additional pupils added by the application of the~~
22 ~~supplementary weighting plan, equal to the pupils added by the~~
23 ~~application of the supplementary weighting plan in the year~~
24 ~~preceding the reorganization, for a period of four years~~
25 ~~following the effective date of the reorganization.~~

26 4. 3. A school district shall be eligible for a combined
27 maximum total of six years of supplementary weighting under
28 the provisions of this section and section 257.11, subsection
29 2, paragraph "c".

30 4. If the board of directors of a school district approved
31 a contract for sharing pursuant to section 257.11 and the
32 school district approved an action to bring about a
33 reorganization to take effect on and after July 1, 2002, and
34 on or before July 1, 2006, the reorganized school district
35 shall include the additional pupils added by the application

1 of the supplementary weighting plan equal in amount and
2 duration to the supplementary weighting for which the school
3 district was eligible pursuant to the provisions of this
4 section in effect prior to July 1, 2006.

5 Sec. 5. EFFECTIVE AND APPLICABILITY DATES.

* * 6 The section of this Act amending section 257.11 by
7 providing supplementary weighting for shared operational
8 functions takes effect July 1, 2006, and is first applicable
9 for the school budget year beginning July 1, 2007.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 2221 - School Sharing Incentives (LSB 6491 SV.1)

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

Fiscal Note Version –As Amended and Passed by the Senate

Description

Senate File 2221, as Amended and Passed by the Senate, extends the sunset date to July 1, 2010, for the three-year incentive reduction to the Uniform Levy for school districts that reorganize. The incentive was to end July 1, 2006. Merged school districts receive a reduction of \$1 per \$1,000 taxable valuation in the first year after reorganization; \$0.50 per \$1,000 reduction the second year; and \$0.25 per \$1,000 reduction in the last year. The whole-grade sharing incentive is also extended to July 1, 2010. The Bill creates a new shared weighting of 0.02 per pupil for sharing operational functions (business management, human resources, transportation or operation and maintenance) with another political subdivision. The shared operational function has a minimum weighting of 10 additional pupils and a maximum weighting of 20 additional pupils. The shared operational function weighting sunsets at the end of FY 2014.

Assumptions

1. The number of school districts that merge and receive the Uniform Levy reduction incentive varies in any given year. No districts reorganized in FY 2003; two districts merged in FY 2004; two pairs of school districts merged and one dissolved in FY 2005; and two pairs of school districts merged in FY 2006. Nine districts received the incentive in FY 2006 totaling \$537,000 which was paid from the State General Fund in State Foundation Aid. It is assumed usage will be similar in future years.
2. Whole-grade sharing weighting began in FY 2003. The lowest annual cost was estimated to be \$423,000 in FY 2004, and the highest annual cost was estimated to be \$612,000 in FY 2006. These costs are split with 87.5% from State Foundation Aid and 12.5% from Foundation property taxes. It is assumed usage will be similar in future years.
3. The FY 2008 State cost per pupil will be \$5,333 with a 4.0% allowable growth rate when the weighting for shared operational functions begins. The costs for this weighting will be split 87.5% from State Foundation Aid and 12.5% from Foundation property taxes. School districts with a per pupil cost greater than the State cost per pupil will pay that difference through the Additional Levy property tax.
4. Using the \$5,333 State cost per pupil to estimate the shared operational function weighting, the cost for the minimum 10 pupil weighting will be approximately \$53,000, and the cost for the maximum 20 pupil weighting will be approximately \$107,000. It is assumed that smaller districts will be more motivated to participate in operational function sharing. The maximum FY 2008 costs would be approximately \$28.1 million if all school districts participated. The estimated FY 2008 costs for all school districts up to the specified sizes to receive the new weighting are:

FY 2008 Estimated Costs

(Dollars in Millions)

<u>District Size</u>	<u>Weighting</u>	<u>Total Cost</u>	<u>State Aid</u>	<u>Property Tax</u>
<700	2,130.0	\$ 11.4	\$ 9.9	\$ 1.4
<1,000	3,012.5	16.1	14.1	2.0
<2,000	4,432.5	23.6	20.7	3.0
<3,000	4,692.5	25.0	21.9	3.1
<4,000	4,792.5	25.6	22.4	3.2
<5,000	4,952.5	26.4	23.1	3.3
All Districts	5,272.5	28.1	24.6	3.5

5. It is assumed that school districts will receive only one weighting regardless of how many functions are shared. If the weighting were applied to all shared functions then it would be possible for every school district to achieve the maximum weighting of 20 pupils, and the maximum possible cost would increase to \$38.9 million.
6. The Department of Education estimates that 40.0% of the school districts with enrollments of less than 500 students will share operational functions; 33.0% of the school districts with enrollments between 500 and 1,000 students will share operational functions; 10.0% of the school districts with enrollments between 1,001 and 2,000 will share operational functions; and none of the school districts with more than 2,000 students will share operational functions.

Fiscal Impact

Extending the Uniform Levy reduction and the whole grade sharing weighting could cost the State General Fund over \$1.0 million in FY 2007 and succeeding years if usage continues at a rate similar to recent years. Property taxes would cost approximately \$70,000 per year for the extension.

Implementing the shared operational function weighting, with the participation rates projected by the Department of Education, will cost an estimated \$6.6 million in FY 2008. The costs are distributed as follows:

FY 2008 Estimated Costs

(Dollars in Millions)

<u>District Size</u>	<u>Weighting</u>	<u>Total Cost</u>	<u>State Aid</u>	<u>Property Tax</u>
Less than 500	480.7	\$ 2.6	\$ 2.2	\$ 0.3
500 to 1,000	608.7	3.2	2.8	0.4
1,001 to 2,000	142.0	0.8	0.7	0.1
More than 2,000	0.0	0.0	0.0	0.0
Total	<u>1,231.4</u>	<u>\$ 6.6</u>	<u>\$ 5.7</u>	<u>\$ 0.8</u>

The combined FY 2008 costs will likely exceed \$6.7 million for the State General Fund and \$891,000 in School Foundation property taxes.

Sources

Department of Education
Department of Management

/s/ Holly M. Lyons

March 30, 2006

Brunkhorst Co-chair
Wood Co-chair
Boettger
Kreiman

SSB# 11578
Educational

SENATE/HOUSE FILE (SF) HF 2221
BY (PROPOSED GOVERNOR'S BILL)

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

A BILL FOR

1 An Act providing supplementary weighting for shared school
2 district operational functions, making an appropriation, and
3 providing effective and applicability dates.

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

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1 Section 1. Section 257.11, Code 2005, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 5A. SHARED OPERATIONAL FUNCTIONS --
4 INCREASED STUDENT OPPORTUNITIES.

5 a. In order to provide additional funding to increase
6 student opportunities for school districts that share
7 operational functions, a supplementary weighting plan for
8 determining enrollment is adopted. A supplementary weighting
9 of two hundredths per pupil shall be assigned to pupils
10 enrolled in a district that shares with one or more other
11 districts one or more operational functions in the areas of
12 business management, human resources, transportation, or
13 operation and maintenance for at least twenty percent of the
14 school year.

15 b. The minimum amount of additional weighting for which a
16 school district shall be eligible is an amount corresponding
17 to ten additional pupils, and the maximum amount of additional
18 weighting for which a school district shall be eligible is an
19 amount corresponding to twenty additional pupils. Criteria
20 for determining qualification of operational functions for
21 additional weighting shall be determined by the department of
22 education by rule.

23 c. Amounts received as supplementary weighting for sharing
24 operational functions pursuant to paragraph "a" and for any
25 savings realized through the sharing of such functions shall
26 be utilized by a school district to improve teacher salaries,
27 and offer additional courses to maximize the access of every
28 high school student to four years of mathematics, science, and
29 English or language arts, with the intent that additional
30 course offerings will include advanced content and advanced
31 placement opportunities.

32 Sec. 2. SHARED OPERATIONAL FUNCTIONS -- SUPPLEMENTARY
33 WEIGHTING -- APPROPRIATION. For the fiscal year beginning
34 July 1, 2005, and ending June 30, 2006, there is appropriated
35 from the general fund of the state to the department of

1 education the following amount, or so much thereof as may be
2 necessary, to be utilized for the purpose designated:

3 \$ 6,100,000

4 The funds appropriated pursuant to this section shall be
5 allocated on or about November 15, 2005, to school districts
6 that have established shared operational functions pursuant to
7 section 257.11, subsection 5A. If the amount appropriated is
8 insufficient to fully fund the amount of supplementary
9 weighting requested and approved, the funds shall be allocated
10 to each requesting and approved school district based on the
11 ratio that each district's actual enrollment bears to the
12 total actual enrollment of all requesting and approved school
13 districts. Notwithstanding section 8.33, moneys appropriated
14 in this section that remain unencumbered or unobligated at the
15 close of the fiscal year shall not revert but shall remain
16 available for expenditure for the purposes designated until
17 the close of the succeeding fiscal year.

18 Sec. 3. EFFECTIVE DATE. This Act, being deemed of
19 immediate importance, takes effect upon enactment, and first
20 applies to supplementary weighting for the school year
21 beginning July 1, 2005.

22 EXPLANATION

23 This bill provides for the establishment of a new category
24 of supplementary weighting relating to shared school
25 operational functions.

26 The bill provides that supplementary weighting shall be
27 available to increase student opportunities for school
28 districts that share operational functions. The bill provides
29 that a supplementary weighting of .02 per pupil shall be
30 assigned to pupils enrolled in a district that shares one or
31 more operational functions in the areas of business
32 management, human resources, transportation, or operation and
33 maintenance for a minimum of 20 percent of the school year.
34 The bill provides that the amounts received either as
35 supplementary weighting or any savings realized through the

1 sharing of operational functions shall be utilized by a school
2 district to improve teacher salaries, and offer additional
3 courses to maximize the access of every high school student to
4 four years of mathematics, science, and English or language
5 arts, with the intent that additional course offerings will
6 include advanced content and advanced placement opportunities.
7 The bill provides that the minimum amount of additional
8 weighting for which a school district shall be eligible is an
9 amount corresponding to 10 additional pupils, and the maximum
10 is an amount corresponding to 20 additional pupils. The bill
11 provides that criteria for determining qualification of
12 operational functions for additional weighting shall be
13 determined by the department of education by rule.

14 The bill appropriates \$1.6 million from the state general
15 fund to the department of education to be allocated on or
16 about November 15, 2005, to school districts which have
17 established shared operational functions, provides for
18 nonreversion of the funds, and provides for allocation among
19 all requesting and approved school districts if the amount
20 appropriated is insufficient to fully fund the amounts
21 requested and approved based on the ratio that each requesting
22 and approved school district's actual enrollment bears to the
23 total actual enrollment of all requesting and approved school
24 districts.

25 The bill takes effect upon enactment and first applies to
26 supplementary weighting for the school year beginning July 1,
27 2005.

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