

MAR 1 2005

EDUCATION

HOUSE FILE 497  
BY WENDT

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to school finance by providing for an increase in  
2 the foundation property tax, an increase in the regular  
3 program and special education support services foundation  
4 bases, modifying related tax credits, and including effective  
5 dates and applicability provisions.

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

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HF 497

1 Section 1. Section 257.1, subsection 2, unnumbered  
2 paragraph 2, Code 2005, is amended to read as follows:

3 For the budget year commencing July 1, ~~1999~~ 2006, and for  
4 each succeeding budget year, the regular program foundation  
5 base per pupil is ~~eighty-seven-and-five-tenths~~ ninety-two and  
6 four-tenths percent of the regular program state cost per  
7 pupil. For the budget year commencing July 1, ~~1991~~ 2006, and  
8 for each succeeding budget year, the special education support  
9 services foundation base is ~~seventy-nine~~ ninety-two and four-  
10 tenths percent of the special education support services state  
11 cost per pupil. The combined foundation base is the sum of  
12 the regular program foundation base and the special education  
13 support services foundation base.

14 Sec. 2. Section 257.3, subsection 1, unnumbered paragraph  
15 1, Code 2005, is amended to read as follows:

16 Except as provided in subsections 2 and 3, a school  
17 district shall cause to be levied each year, for the school  
18 general fund, a foundation property tax equal to ~~five~~ six  
19 dollars and ~~forty~~ ninety cents per thousand dollars of  
20 assessed valuation on all taxable property in the district.  
21 The county auditor shall spread the foundation levy over all  
22 taxable property in the district.

23 Sec. 3. Section 257.3, subsection 2, paragraphs a and b,  
24 Code 2005, are amended to read as follows:

25 a. Notwithstanding subsection 1, a reorganized school  
26 district shall cause a foundation property tax of ~~four~~ five  
27 dollars and ~~forty~~ ninety cents per thousand dollars of  
28 assessed valuation to be levied on all taxable property which,  
29 in the year preceding a reorganization, was within a school  
30 district affected by the reorganization as defined in section  
31 275.1, or in the year preceding a dissolution was a part of a  
32 school district that dissolved if the dissolution proposal has  
33 been approved by the director of the department of education  
34 pursuant to section 275.55.

35 b. In succeeding school years, the foundation property tax

1 levy on that portion shall be increased to the rate of four  
2 six dollars and ninety forty cents per thousand dollars of  
3 assessed valuation the first succeeding year, five six dollars  
4 and fifteen sixty-five cents per thousand dollars of assessed  
5 valuation the second succeeding year, and five six dollars and  
6 forty ninety cents per thousand dollars of assessed valuation  
7 the third succeeding year and each year thereafter.

8 Sec. 4. Section 257.10, subsection 4, Code 2005, is  
9 amended by adding the following new unnumbered paragraph:

10 NEW UNNUMBERED PARAGRAPH. For the budget year beginning  
11 July 1, 2006, and succeeding budget years, the department of  
12 management shall increase the special education support  
13 services district cost per pupil for a school district  
14 containing an area education agency with a special education  
15 support services district cost per pupil which falls below the  
16 special education support services state cost per pupil, to  
17 equal the special education support services state cost per  
18 pupil.

19 Sec. 5. Section 425A.3, subsection 1, Code 2005, is  
20 amended to read as follows:

21 1. The family farm tax credit fund shall be apportioned  
22 each year in the manner provided in this chapter so as to give  
23 a credit against the tax on each eligible tract of  
24 agricultural land within the several school districts of the  
25 state in which the levy for the general school fund exceeds  
26 five six dollars and forty fifty cents per thousand dollars of  
27 assessed value. The amount of the credit on each eligible  
28 tract of agricultural land shall be the amount the tax levied  
29 for the general school fund exceeds the amount of tax which  
30 would be levied on each eligible tract of agricultural land  
31 were the levy for the general school fund five six dollars and  
32 forty fifty cents per thousand dollars of assessed value for  
33 the previous year. However, in the case of a deficiency in  
34 the family farm tax credit fund to pay the credits in full,  
35 the credit on each eligible tract of agricultural land in the

1 state shall be proportionate and applied as provided in this  
2 chapter.

3 Sec. 6. Section 425A.5, Code 2005, is amended to read as  
4 follows:

5 425A.5 COMPUTATION BY COUNTY AUDITOR.

6 The family farm tax credit allowed each year shall be  
7 computed as follows: On or before April 1, the county auditor  
8 shall list by school districts all tracts of agricultural land  
9 which are entitled to credit, the taxable value for the  
10 previous year, the budget from each school district for the  
11 previous year, and the tax rate determined for the general  
12 fund of the school district in the manner prescribed in  
13 section 444.3 for the previous year, and if the tax rate is in  
14 excess of five six dollars and forty fifty cents per thousand  
15 dollars of assessed value, the auditor shall multiply the tax  
16 levy which is in excess of five six dollars and forty fifty  
17 cents per thousand dollars of assessed value by the total  
18 taxable value of the agricultural land entitled to credit in  
19 the school district, and on or before April 1, certify the  
20 total amount of credit and the total number of acres entitled  
21 to the credit to the department of revenue.

22 Sec. 7. Section 426.3, Code 2005, is amended to read as  
23 follows:

24 426.3 WHERE CREDIT GIVEN.

25 The agricultural land credit fund shall be apportioned each  
26 year in the manner hereinafter provided so as to give a credit  
27 against the tax on each tract of agricultural lands within the  
28 several school districts of the state in which the levy for  
29 the general school fund exceeds five six dollars and forty  
30 fifty cents per thousand dollars of assessed value; the amount  
31 of such credit on each tract of such lands shall be the amount  
32 the tax levied for the general school fund exceeds the amount  
33 of tax which would be levied on said tract of such lands were  
34 the levy for the general school fund five six dollars and  
35 forty fifty cents per thousand dollars of assessed value for

1 the previous year, except in the case of a deficiency in the  
2 agricultural land credit fund to pay said credits in full, in  
3 which case the credit on each eligible tract of such lands in  
4 the state shall be proportionate and shall be applied as  
5 hereinafter provided.

6 Sec. 8. Section 426.6, unnumbered paragraph 1, Code 2005,  
7 is amended to read as follows:

8 The agricultural land tax credit allowed each year shall be  
9 computed as follows: On or before April 1, the county auditor  
10 shall list by school districts all tracts of agricultural  
11 lands which are entitled to credit, together with the taxable  
12 value for the previous year, together with the budget from  
13 each school district for the previous year, and the tax rate  
14 determined for the general fund of the district in the manner  
15 prescribed in section 444.3 for the previous year, and if such  
16 tax rate is in excess of five six dollars and forty fifty  
17 cents per thousand dollars of assessed value, the auditor  
18 shall multiply the tax levy which is in excess of five six  
19 dollars and forty fifty cents per thousand dollars of assessed  
20 value by the total taxable value of the agricultural lands  
21 entitled to credit in the district, and on or before April 1,  
22 certify the amount to the department of revenue.

23 Sec. 9. EFFECTIVE AND APPLICABILITY DATES.

24 1. The sections of this Act increasing the regular program  
25 foundation base and the special education support services  
26 foundation base, and increasing the foundation property tax,  
27 take effect July 1, 2005, and are applicable to the school  
28 budget year beginning July 1, 2006, and succeeding budget  
29 years.

30 2. The sections of this Act amending provisions relating  
31 to the family farm tax credit and the agricultural land tax  
32 credit take effect January 1, 2007, for taxes payable in the  
33 fiscal year beginning July 1, 2007.

34 EXPLANATION

35 This bill provides for an increase in the foundation

1 property tax imposed under the state school foundation program  
2 pursuant to Code section 257.3, from the current level of  
3 \$5.40 to \$6.90 per \$1,000 of assessed valuation on all taxable  
4 property in a school district.

5 The bill also provides for an increase in the regular  
6 program foundation base and the special education support  
7 services foundation base under the state school foundation  
8 program from the current foundation base level of 87.5 percent  
9 and 79 percent, respectively, to the level of 92.4 percent.  
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 foundation property  
13 tax.

14 Further, the bill provides for conforming changes to  
15 provisions of the family farm tax credit and the agricultural  
16 land tax credit contained in Code chapters 425A and 426  
17 relating to the increase in the level of the foundation  
18 property tax.

19 The bill provides that provisions increasing the regular  
20 program foundation base and the special education support  
21 services foundation base, and increasing the foundation  
22 property tax, take effect July 1, 2005, and are applicable to  
23 the school budget year beginning July 1, 2006, and succeeding  
24 budget years. The bill provides that provisions amending the  
25 family farm tax credit and the agricultural land tax credit  
26 take effect January 1, 2007, for taxes payable in the fiscal  
27 year beginning July 1, 2007.

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**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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HF 497 - School Foundation Plan (LSB 1944 YH)

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Fiscal Note Version - New

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**Description**

House File 497 increases the foundation level for regular program costs (87.5%), special education costs (87.5%), and Area Education Agencies (AEA) special education costs (79.0%), to 92.4%. The uniform levy is increased from \$5.40 per thousand taxable valuation to \$6.90. Area Education Agencies special education costs per pupil that are below the State AEA cost per pupil are brought up to the State cost.

**Assumptions**

1. The allowable growth rate for FY 2007 is 4.0%.
2. Budget enrollments are based on the Department of Education 2005 preliminary projections.
3. The \$7.5 million AEA reduction is applied to FY 2006 and later years, rather than the \$19.3 million reduction applied to FY 2005.
4. FY 2005 Taxable valuations decreased by 2.9%; FY 2006 valuations are estimated to increase by 2.3%; and FY 2007 valuations are projected to increase by 2.0%.
5. Weighting increases include: 10.0% annually for shared teachers and pupils; 10.0% annually for English language learners; 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.

**Fiscal Impact**

In FY 2007, the school districts total spending authority will increase by \$1.4 million to bring Area Education Agencies special education costs per pupil up to the State AEA cost per pupil. The State Foundation Aid cost to the General Fund will increase by \$3.5 million, and Foundation property taxes will decrease by \$2.1 million.

**Source**

Department of Management: School Foundation data base

/s/ Holly M. Lyons

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March 4, 2005

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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.

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