



BILL SUMMARY

School Infrastructure Local Option (SILO) HF 2066

Status of Bill: House Ways and Means
Committee: Education
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BACKGROUND

Currently, schools can impose, with voter approval, a one cent local option sales tax for school infrastructure or property tax relief. The local option tax can be imposed for up to ten years. The local option tax has now been adopted in all 99 counties, with Linn and Johnson Counties approving the vote last February. HF 2066 is proposing that this tax be shifted from a local option to a permanent statewide penny for school infrastructure needs.

In 2003, the Legislature created the initial Secure an Advanced Vision for Education Fund (SAVE) for counties that authorized the local option sales tax to deposit monies into. The purpose of the fund was to create a more equitable system of school funding for those districts not meeting their needs. Once all the counties had approved the School Infrastructure Local Option Tax (SILO), the money would be distributed out to the counties, with Linn and Johnson counties keeping their money for 5 years before going into the SAVE. Other counties which passed a SILO before 2003 were allowed to keep all their money until the initial 10 years expired.

However, schools that approved the SILO before April 1, 2003, with a sales tax capacity per pupil below the guaranteed school infrastructure amount receive its pro rata share of the local sales and service tax receipts plus a supplemental school infrastructure amount. Schools that approved the SILO on or after April 1, 2003, or schools that approved the continuation of the SILO receive an amount equal to its pro rata share of the local sales and services tax up to the guaranteed school infrastructure amount. If the schools pro rata share is less than its guaranteed school infrastructure amount, then it will receive an additional amount equal to its supplemental school infrastructure amount.

The fund specifies that schools are not allowed to receive more than the guaranteed school infrastructure amount, and even if they receive a supplemental amount, they are not to exceed the guaranteed school infrastructure amount in succeeding years. This bill is addressing the issue of schools in jeopardy of not reauthorizing the SILO as well as equity for schools and property tax.

SUMMARY

House File 2066 raises the state sales and use tax from five to six percent. The increased revenues are deposited into a new Secure an Advanced Vision for Education Fund (SAVE) to be distributed to all school districts. These state revenues are to replace the existing School Infrastructure Local Option Tax (SILO). All existing local sales and services tax are repealed. A statewide amount per pupil will be calculated annually.

Repeal and Purposes. Strikes the SILO sunset date of December 31, 2022. Maintains existing revenue distributions for counties above the average, including Linn and Johnson counties, until their existing grandfather provisions or first 10-year-SILO would have expired. By 2013, districts across the entire state will be completely in the pool. The purpose of money distributed to school districts remains the same for infrastructure, Physical Plant and Equipment Levy (PPEL), Public Educational and Recreational Levy (PERL), property tax relief, and demolition work.

Revenue Purpose Statement. Continues to require a revenue purpose statement by each school district to establish use of revenues. Notice must be published of the meeting to approve the revenue purpose statement, and within thirty days following the meeting, the board of directors must take action to approve the statement. At any time, a petition may be filed to call a special election for voter approval of the revenue purpose statement. If the revenue purpose statement is not approved, sales tax revenues will be used for infrastructure related property tax relief, in the following order:

1. Bond Levies and all other debt levies
2. Regular and voter-approved PPEL
3. PERL
4. Schoolhouse tax levy
5. Any authorized infrastructure purpose.

Secure and Advanced Vision for Education Fund (SAVE). Places SAVE fund in new code section and maintains the existing use of property tax relief and infrastructure. Maintains current split of 5 cents state tax revenue to the state general fund and 1 cent to the SAVE fund. Requires Department of Revenue to calculate the statewide tax revenues per student, also known as the rolling average, on an annual basis for distribution of funds to school districts. Revenue is treated as if the SILO existed and divided by enrollment. Strikes the ceiling of \$575 per student for distribution of funds.

Property Tax Relief and Equity Fund. Creates new fund for property tax relief for distribution to schools. The fund is under the department of management and includes non-reversion language of the monies.

Technical Changes. Several technical changes are included in the bill for use tax purposes. Currently, the SILO is not collected for either use tax. This would update law to reflect that change and deposit the money in the Time-21 fund and the new Property Tax Relief and Equity Fund.

Differences between HF 854 (2007 session) and HF 2066 (2008 session)

Policy	HF 854	HF 2066
1 cent tax on cars	Deposits into SILO pool	Deposits into TIME 21
Expanded tax base net increase consumer use tax (\$40 M) minus residential utility tax savings (\$12 M) net \$28 million	Deposits into the SILO pool	Deposits into a new Property Tax Equity and Relief Fund
State Appropriation for property tax equity	Not mentioned	Maintained phase-in to \$24 million by 2010 and deposits into the new Property Tax Equity And Relief Fund
Future vote to change the purpose	No reference	Requires 2/3 majority of future legislature to change

COMMITTEE AMENDMENT

H-8028 by Committee on Education – The current bill allows a school board to change the revenue purpose statement with or without a vote of the citizens. However, it does allow citizens to petition for a vote on the change. The amendment removes the reverse referendum for the revenue purpose statement. Instead, no referendum is required if the new purpose is property tax relief. If the board of directors intends to use the funds for other purposes than those listed in an existing revenue purpose statement or other than property tax relief, the board has to adopt a new revenue purpose statement and submit it to the voters.

The new revenue purpose statement must be submitted directly for approval by the voters prior to 60 days of the expiration of the existing revenue purpose statement. Also requires that in the event that the new revenue purpose statement is not approved, neither a new revenue purpose statement nor the same unapproved revenue purpose can not be submitted for a vote within a six month time period from the previous election.