



IOWA HOUSE DEMOCRATS

BILL SUMMARY

SAVE Program Extension and Changes HF 2481

Status of Bill: On House Calendar

Committee: Education (22-1), Ways and Means 22-2

Research Analyst: David Epley; (515) 281-6367; david.epley@legis.iowa.gov

Lead Democrats: Isenhart (W & M) Steckman and R. Smith (Ed)

Floor Manager: Nunn (W & M) Dolecheck (Ed)

SAVE Background

In 2008 the local option tax was repealed and the state sales was raised from 5% - 6%. The revenues are deposited into a new Secure an Advanced Vision for Education Fund (SAVE) to be distributed to all school districts, replacing the School Infrastructure Local Option taxes (SILO). Currently, moneys in the SAVE fund are allocated to school districts on a per pupil basis to be used for infrastructure and property tax reduction purposes specified in Code chapter 423F.

There is currently a sunset on the SAVE program. The sales tax rate of 6% is reduced to 5% on January 1, 2030, and Code chapter 423F, along with other corresponding provisions, is repealed December 31, 2029. Education groups are pushing to have this sunset extended if not repealed. This is mainly due to the need for schools to use their SAVE fund dollars to secure 20 year bonds which go beyond the program. Doing so actually also saves taxpayers property tax dollars since they would not have to secure a bond for infrastructure projects in some other way like a special levy.

Property Tax Equity Relief (PTER) Background

Currently, prior to the SAVE distribution, 2.1% of the available SAVE moneys are distributed to the Property Tax Equity and Relief (PTER) fund to provide property tax relief. Because of timing issues, the PTER funding is provided in the fiscal year after the PTER Fund amount is determined. After the excess school sales and use tax revenues is determined in November, the Department of Management applies the PTER formula which will be applied for the next fiscal year (which is a 1-year lag). It is estimated that \$10 million currently comes from the 2.1% from PTER to SAVE. Combined with the \$24 million standing appropriation, it is estimated that 61 of the lowest property poor tax districts are assisted currently.

- PTER funds are first applied to districts with an adjusted additional levy (*2nd effort, or the 12.5%*) rate above the statewide average. Funding goes to these property poor districts first.
- If funds remain after that first step, then the remaining funds are used to increase the foundation level. This step would be applied to all school districts. It is currently projected to take six more years before all districts receive property tax assistance.

Bill Summary

This bill extends the sales tax rate and the allocation to the SAVE fund, and the statutory repeal of chapter 423F until January 1, 2050. This would provide relief to the 20 year bond problem where schools could use their SAVE dollars to secure bonds for infrastructure until 2030.

The bill maintains that the initial 2.1% of SAVE funds for PTER is designated to buy-down districts above the statewide average to the state wide average. This 2.1% level does not change.

If SAVE revenue growth is 2.0% or more in a fiscal year, the amount transferred to PTER will increase by 1.0%.

Year 1: 2.0% SAVE growth = 3.1% transferred to PTER

Year 2: 2.0% SAVE growth = 4.1% transferred to PTER

This continues into the future until 12.0% transferred to PTER is obtained, and then it is capped at 12.0%.

Any percentage of SAVE funds designated for PTER above the initial 2.1% will be divided as follows:

Total Amount Transferred to PTER (With the 2.1% + 1% = 3.1% Transferred)	
Amt. Provided to Property Poor Dist.'s	Amt. Provided to ALL Dist.'s
2.1% + 2/3 of the 1% are designated to be used to buy-down districts above the statewide average to the statewide average. If there are remaining funds from this, those funds would be used for a foundation level increase.	1/3 of the 1% are designated to be used to increase the foundational level for that fiscal year to help ALL districts.

Year 1: 2.0% SAVE growth = 3.1% transferred to PTER with:

- 2.1% used to buy-down to the statewide average as per current law, no change.
- 2/3 of the 1.0% designated to buy-down to the statewide average
- 1/3 of the 1.0% are designated to be used to increase the foundation level for that fiscal year.
 - (Of the 3.1% for PTER: 2.77% for buy-down and 0.33% for foundation level increase).

Year 2: 2.0% SAVE growth = 4.1% transferred to PTER with:

- 2.1% used to buy-down to the statewide average
- 2/3 of the 2.0% designated to buy-down to the statewide average
- 1/3 of the 2.0% are designated to be used to increase the foundation level for that fiscal year.
 - (Of the 4.1% for PTER: 3.43% for buy-down and 0.67% for foundation level increase).

(SEE APPENDIX A)

Current Career Academies

Currently, a community college in conjunction with a group of local school districts, can develop a Career Academy. These facilities have specialized Career Technical Education (CTE) training. These can currently be built using Physical Plant Equipment Levy (PEL), SAVE, bonds (either regular or revenue), private donations, or Accelerated Career Education (ACE) infrastructure funds (if the project is tied to an ACE project).

Kirkwood

Here is how the Kirkwood Community College Career Academies were funded:

- Jones - revenue bonds \$9M 35,000 sq ft
- Linn - bond issue \$12M - because Aegon provided the building at reduced cost - 100,000 sq ft
- Washington - bond issue and 20-1/4 property tax levy combination - \$9M - about half and half - 35,000 sq ft

- Johnson - 20-1/4 property tax levy. \$33M - 102,000 sq ft.

Des Moines Area Community College (DMACC)

Here is how the DMACC Career Academies were funded:

- Perry raised \$4.7 million in grants and private support to fully construct the Van Kirk Academy.

Career Academy Fund Grant

The amendment adds the creation of a Career Academy Fund in the state treasury. The Department of Education (DE) may accept federal funds, gifts, grants, bequests and other private contributions to deposit in the fund. Moneys in the fund will not revert to the General Fund and interest will be credited to the fund.

DE is to establish rules to administer the grant program that would be competitive grants. A single grant cannot exceed \$1 million to the school district for the creation of a Career Academy. The grants would go towards infrastructure and equipment and to further the goals of the establishment and operation of the center.

The rules would specify the eligibility of the applicants and the eligible items for grant funding. Priority in the grants would be given to the establishment of new career academies organized as regional CTE planning partnerships with three or more school districts. A subsequent priority would be given to existing facilities and infrastructure to serve career academies.

For FY 2019, the SAVE fund would transfer \$1 million to the Career Academy Fund. Subsequent transfers will be the equivalent of the prior year's transfer plus 0.5% of the sales tax growth in the fund if the growth rate is at or exceeds 2.5%. The amendment caps the total amount to be transferred to the fund at no more than \$5 million in any fiscal year.

Revenue Purpose Statements

Revenue purpose statements for SAVE fund purposes adopted before July 1, 2018, will terminate under the bill and have no further effect on January 1, 2030, or the expiration date of the revenue purpose statement, whichever is earlier. Such termination will not affect the validity of or a first lien on bonds issued, or the validity of a contract or other obligations of the school district prior to date of the revenue purpose statement. If a school district intends to use SAVE fund revenues purposes other than those which can be approved by the school board alone and does not intend to operate without a revenue purpose statement on or after January 1, 2030, the school board is required to submit a revenue purpose statement for approval by the electors on or after July 1, 2018. If they do that, the revenue purpose statement submitted to the voters is required to include all proposed uses including those previously approved by the voters.

Certificate of Need Threshold and Cost Benefit Analysis

Currently, a school district with a certified enrollment of fewer than 250 pupils or certified enrollment of fewer than 100 pupils in high school must apply to the Department of Education for a certificate of need before the school district can expend the supplemental school infrastructure amount received for new construction or for payments for bonds issued for new construction against the supplemental school infrastructure amount. The criteria in the bill is modified as to how the Department of Education determines whether to issue a certificate of need to include the cost-benefit analysis of remodeling, reconstructing, or repairing existing buildings versus new construction and consideration of the benefit of the new construction on student learning.

Athletic Facilities, Petition

The bill has more restrictions to using SAVE funds for the purpose of an athletic facility. An athletic facility is defined in the bill as a building or structure, or portion thereof, that is **not physically attached to a student**

attendance center. The bill limits SAVE funds through the definition of a “Construction” in the projects. Construction projects under SAVE include “replacement” or “upgrade.” It would still NOT include repair or maintenance of an existing facility. The bill requires a district intending to replace or upgrade an existing athletic facility to follow the public notice and hearing requirements before proceeding with the plan. This includes providing a 14 day window for voters to petition for a special election on the project.

Prior to approving the use of SAVE revenues for a school infrastructure project that includes whole or in part, an athletic facility within the scope of the revenue purpose statement, the school district is required to adopt a resolution setting forth the proposal for the athletic facility and hold an additional public hearing. The bill requires the notice of the public hearing be published not less than 10 not more than 20 days before the public hearing in a newspaper which is a newspaper of general circulation within the district.

If at any time prior to the 15th day following the hearing, the school board receives a petition containing 100 eligible electors or 30% of the voters who received a ballot for school board election, whichever is greater, asking for the approval of the athletic facility project to be submitted to the voters of the school district, the board of directors is required to either rescind approval of the use of SAVE revenues for the school infrastructure project or direct the County Auditor of elections to submit the question to the registered voters of the school district. It should be noted that beginning in 2019, school board elections will be held in conjunction with municipal elections, but the bill specifies only those voting in the school board election.

If a valid petition is not received by the board of directors within the prescribed time period, the board of directors may approve the use of SAVE revenues for the athletic facility school infrastructure project without voter approval. The bill establishes the limitation that after 14 days from the date of the hearing, or 14 days after the election, an action cannot be brought questioning the legality of any bonds or power of the authority of the school board to issue bonds in connection with the authorization of the issue of the bonds for the project.

If a majority of voters favor the use of the SAVE revenues for the school infrastructure project with an athletic facility, the board will be authorized to approve such use by resolution of the board. If a majority of those voting do not, the school board is required to rescind the board’s resolution and abandon approval of the use of SAVE revenues for the school infrastructure project with an athletic facility.

Bond Issuance, Petition

The bill adds further restrictions on revenue bonds issued on or after July 1, 2018. They cannot be sold at public sale or at a private sale without notice and a public hearing. The public hearing is required to be public noticed not less than 10 and not more than 20 days before the public hearing in a newspaper with general circulation of the school district. If at any time prior to the 15th day following the hearing, if the school board receives a petition containing 100 eligible electors or 30% of the voters of the last preceding regular school election, whichever is greater, asking that the question of the issuance of such bonds be submitted to the voters of the school district, the school board is required to either rescind its adoption of the resolution or direct the county commissioner of elections to submit the question to the registered voters of the school district.

If the school board submits the question at an election and a majority of those voting on the question favor issuance of the bonds, the board is authorized to issue the bonds. The bill also establishes the limitation that after 14 days from the date of the hearing, or 14 days after the election, an action cannot be brought questioning the legality of any bonds or power of the authority of the school board to issue bonds in connection with the authorization of the issue of the bonds for the project.

State Mandate, Effective Date

In accordance with statute, the bill states that the state cost of requiring compliance with any state mandate included in this Act will be paid by a school district from state school foundation aid received by the school

district. This specification of the payment of the state cost will be deemed to meet all of the state funding-related requirements, and no additional state funding will be necessary for the full implementation of this Act.

Effective Date

The bill takes effect July 1, 2018.

Epley, David [LEGIS]\G:\Caucus Staff\depley\18 Session\Education\Bill Sum SAVE HF 2438 04-2.docx\April 10, 2018\1:56 PM