



IOWA HOUSE DEMOCRATS

BILL SUMMARY

HF 425

SAVE Extension and Reform

Status of Bill: In the Ways and Means Committee
Committee: Education (21-2)
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Floor Manager: Bossman

Secure an Advanced Vision for Education (SAVE) Background

In 2008 the local option tax was repealed and the state sales tax was raised from 5% - 6%. The revenues from the statewide penny 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rate of 6% is reduced to 5% on January 1, 2030, and Code chapter 423F, along with other corresponding provisions, is repealed December 31, 2029.

Education groups are pushing to have this sunset extended if not repealed.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 (See Appendix A).

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 \$10.7 million currently for FY 2019 comes from the 2.1% from SAVE to PTER. 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

Under HF 425, the sales tax rate and the allocation to the SAVE fund statutory repeal under chapter 423F would be extended until January 1, 2051. This would provide relief to the 20 year bond problem where schools cannot use their SAVE funds to secure bonds for infrastructure due to the 2031 sunset.

PTER Increases for More Property Tax Relief

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 the amount transferred to PTER will increase by 1.0%. There would be 2/3 of that increase that would add to the amount provided to property poor districts. Also, there would be 1/3 of that 1% deposited for property tax relief for ALL districts in the “Foundation Base Supplement Fund.”

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%. The Fiscal estimate is that for the upcoming years, the 2% SAVE growth trigger would be reached except for FY 2022. For that year there would not be a transfer if the projections are correct.

Year 1 Example:

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 in the Foundation Supplement Fund
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.

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 (PPEL), 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 a DMACC Career Academy was funded:

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

Iowa Central Community College (ICCC)

Here is how a ICCC Career Academy was funded:

- Invested \$2 million of its own operating money for the Eagle Grove Career Academy.
- Future training centers would include Storm Lake, Laurens, and Jefferson within Jefferson high school.

Northern Iowa Community College (NICC)

Here is how a NICC Career Academies was funded:

- Oelwein High School for a major renovation Region Tech Center. The cost was around \$310,000 from a Department of Labor Federal/Department of Education Pilot Youth Grant
- FY 2018 \$8,638 Workforce Training Economic Development (WTED) funds (State Funds from the Economic Development Budget), for Manchester expansion of CNA lab
- FY 2018 \$1,601 WTED funds, Dubuque Sewing Room
- FY 2019 \$50,000 NICC Plant Fund, for a weld Lab for Waukon
- FY 2019 \$100,000 NICC Bond money for New Hampton MFG Lab
- FY 2019 \$3,761 WTED funds for the Waukon Health Lab

Career Academy Fund Grant

HF 425 creates the Career Academy Fund in the state treasury. The Department of Education (DE) may accept federal dollars for the fund. This would include federal grants. Federal Perkins dollars that flow to Community Colleges would NOT be included in that due to restrictions on use of those dollars for infrastructure. HF 425 also allows for gifts, grants, bequests and other private contributions to be deposited in the fund. Moneys in the fund will not revert to the general fund and interest will be credited to the fund.

DE will establish rules to administer the program through a competitive grant process. The grants would go towards infrastructure and equipment and to further the “goals” of the establishment and operation of an academy. Currently there are 15 Regional Planning Partnerships aligned with the 15 community colleges in the state that help administer high school CTE programs in the state. Goals of a Career Academy are local determined through RPPs to meet the CTE needs of high school students of the region.

Other than the cap that a single grant cannot exceed \$1 million to the school district for the creation of a Career Academy, there are no criteria for the grants in the bill. 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 in the bill would be given to existing facilities and infrastructure to serve career academies.

For FY 2020, 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 total amount to be transferred to the fund is capped at no more than \$5 million in any fiscal year. The Fiscal Division estimates that FY 2023 would be the first year of the full \$5 million.

Revenue Purpose Statements

Revenue purpose statements for SAVE fund purposes adopted before July 1, 2019, will terminate under the bill and have no further effect on January 1, 2031, 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, 2031, the school board is required to submit a revenue purpose statement for approval by the electors on or after July 1, 2019. 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.

Athletic Facilities, Petition

The bill has more restrictions to using SAVE funds for the purpose of an athletic facility. Funds are limited for use of an athletic facility which is defined in the bill as a building or structure, or portion thereof, that is not physically attached to a school. (Thus, it would not affect a gym or a pool within a school, but a football field would have to be connected somehow to the main part of the school, or could not be built using SAVE.) HF 425 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.

NEW LANGUAGE: Intent language in the bill states, "It is the intent of the General Assembly that each school district prioritize the use of revenues under this chapter for secure entries for the district's attendance centers before expending such revenues for athletic facility infrastructure projects."

Like last year's bill, 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 certify that they have meet the requirement that they have equipped all schools with property security equipment, and 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 15 days 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.

SAVE Fund Allowed for School Safety and Security Infrastructure

HF 425 includes the ability to use a SAVE fund for school safety and security infrastructure. This would include but is not be limited to safe rooms, remote entry technology and equipment, security camera systems, card access systems, and communication systems with access to fire and police emergency frequencies. It would not include the cost of personnel, development of safety and security plans, or training related to the implementation of safety and security plans.

Bond Issuance, Petition

The bill adds further restrictions on revenue bonds issued on or after July 1, 2019. 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 15 days 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.

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 as to how the DE determines whether to issue a certificate of need is based on the infeasibility of remodeling. The bill changes this criteria to be a 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.

State Mandate

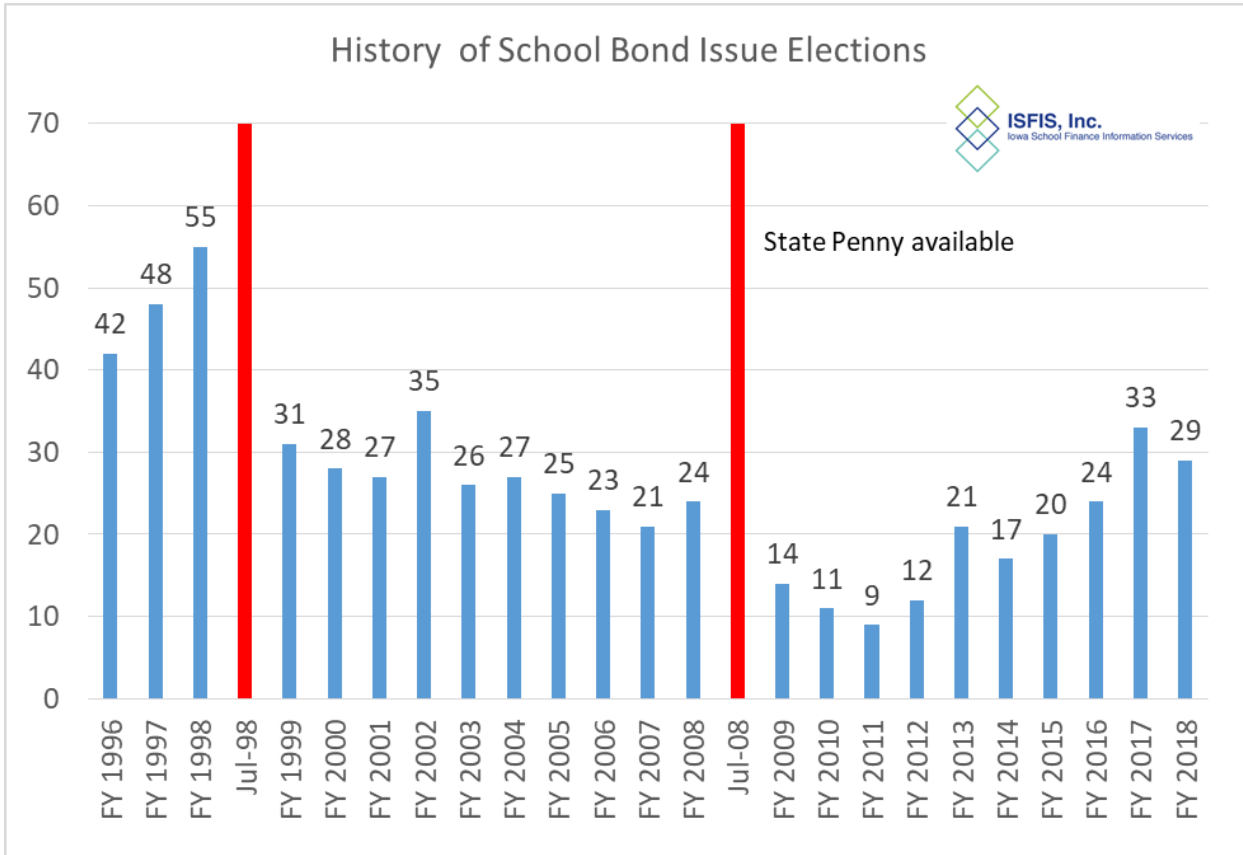
In accordance with statute, the bill states that the state cost of requiring compliance with any state mandate included in this Act will be paid by a school district from state school foundation aid received by the school district. This specification of the payment of the state cost will be deemed to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

HF 425 would be effective on July 1, 2019.

APPENDIX A:

The chart below shows that fewer bond issues elections were held since the start of the state penny dedicated to school infrastructure. Since the SAVE fund sunsets within 20 years, schools are unable to use their SAVE funds as a dedicated source of revenue to pay for 20 year bonds for infrastructure projects. Without this guaranteed dedicated source of revenue for schools, the number of bond issues backed by property taxes is growing.



Source: Rural School Advocates of Iowa