

Comment Report

HF 216

A bill for an act creating a vacant school building demolition grant program and fund and making appropriations.(See HF 778.)

Subcommittee Members: Graber-CH, McConkey, Thompson

Date: 03/04/2021

Time: 08:00 AM

Location: RM 102, Sup. Ct. Consult

Name: Margaret Buckton

Comment: Both the Urban Education Network and the Rural School Advocates of Iowa are opposed to HF 216, although both organizations appreciate the good intention of this bill. Our opposition is to the use of SAVE funds that would otherwise fund construction, equipment or property tax relief for all 327 school districts. When the State Penny was extended in 2019, even though it added many years of revenue to the fund, the bill reduced resources in the short term by diverting some of the growth to the Career and Technical Education Grants and then more to property tax relief. School districts had earlier bonded against the SAVE revenues, based on estimates of growth. Those estimates predated the short term decreases in the SAVE extension. Taking an additional 20% of the growth for demolition would further challenge the ability of school districts to meet their current obligations. The end result might be a shift to increasing the Physical Plant and Equipment Levy or at the more extreme level of need, a bond issue, both of which are back with property taxes. We would support the bill if the demolition grant appropriation was funded with what would otherwise be the property tax reduction from SAVE. Additionally, the SAVE fund uses were expanded to include demolition, but it's hard to find since it's done through a cross reference. The Code references are laid out in the attachment.

Both the Urban Education Network and the Rural School Advocates of Iowa are opposed to HF 216, although both organizations appreciate the good intention of this bill. I'm sorry I can't be there for the subcommittee at 8:00, but wanted to get you an explanation of our registration.

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Additionally, the SAVE fund uses were expanded to include demolition, but it's hard to find since it's done through a cross reference. Here's the information.

The SAVE statute is 423F and it defines "infrastructure purposes" as anything lawful in the old section [423E.1](#). At the time when the school infrastructure local option (SILO) tax was changed to a statewide penny, in 2008, there was suspicion that the state would later scoop the funds, so they wanted to keep it dedicated for the original purposes. So rather than writing a new list of allowable purposes, the code in 423F subsection 3 (6), refers back to the allowable uses in 423E.1 which hasn't existed since 2008. The link in 423F takes you to the prior statute (copied below) with the word demolition highlighted in subsection 3 below.

423E.1 Authorization rate of tax use of revenues.

1. A local sales and services tax for school infrastructure purposes may be imposed by a county on behalf of school districts as provided in this chapter. If a local sales and services tax for school infrastructure is imposed by a county pursuant to this chapter, a local excise tax for school infrastructure at the same rate shall be imposed by the county on the purchase price of natural gas, natural gas service, electricity, or electric service subject to tax under chapter 423, subchapter III, and not exempted from tax by any provision of chapter 423, subchapter III. The local excise tax for school infrastructure is applicable only to the use of natural gas, natural gas service, electricity, or electric service within those incorporated and unincorporated areas of the county where it is imposed and, except as otherwise provided in this chapter, shall be collected and administered in the same manner as the local sales and services tax for school infrastructure. For purposes of this chapter, "local sales and services tax for school infrastructure" shall also include the local excise tax for school infrastructure.

2. The maximum rate of tax shall be one percent. The tax shall be imposed without regard to any other local sales and services tax authorized in chapter 423B, and is repealed at the expiration of a period of ten years of imposition or a shorter period as provided in the ballot proposition unless the period is extended as provided in section 423E.2, subsection 5. However, all local option sales and services taxes for school infrastructure purposes are repealed December 31, 2022.

3. Local sales and services tax moneys received by a county for school infrastructure purposes pursuant to this chapter shall be utilized for school infrastructure needs or property tax relief. For purposes of this chapter, "school infrastructure" means those activities for which a school district is authorized to contract indebtedness and issue general obligation bonds under section 296.1, except those activities related to a teacher's or superintendent's home or homes. These activities include the construction, reconstruction, repair, **demolition work**, purchasing, or remodeling of schoolhouses, stadiums, gyms, fieldhouses, and bus garages and the procurement of schoolhouse construction sites and the making of site improvements and those activities for which revenues under section 298.3 or 300.2 may be spent. A school district that uses local sales and services tax moneys for school infrastructure shall comply with the state building code in the absence of a local building code. Additionally, "school infrastructure" includes the payment or retirement of outstanding bonds previously issued for school

infrastructure purposes as defined in this subsection, and the payment or retirement of bonds issued under section 423E.5.