



SF 74 – Secure an Advanced Vision for Education Extension (LSB1036XS)
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Fiscal Note Version – New

Description

Senate File 74 contains multiple provisions regarding Secure an Advanced Vision for Education (SAVE) and the Property Tax Equity Relief (PTER) Fund. The Bill provides for the extension of the one-cent sales tax that is distributed to school districts for the following uses:

- Reduction of bond levies.
- Reduction of regular and voted physical, plant, and equipment levies (PPEL).
- Reduction of the public educational and recreational levy (PERL).
- Authorized infrastructure projects.
- Payment of principal and interest on bonds issued under the School Infrastructure Local Option (SILO) sales tax or SAVE.

The Bill extends the sunset of SAVE to January 1, 2051, and adjusts the amount of funds being directed into the PTER Fund. For fiscal years in which the growth of SAVE is more than 2.0% over the previous fiscal year, the amount directed into the PTER Fund will increase by 1.0% until it reaches a cap of 12.0% of the funds generated by SAVE. Under the Bill, one third (1/3) of the increase in funds each year will flow into a newly created Foundation Base Supplement Fund (FBSF) within the PTER Fund, which will function to increase the State cost per pupil foundation level. The current foundation level is set in Iowa Code section [257.1\(2\)\(b\)](#) as 87.50% of the State cost per pupil.

The Bill also creates a fund for career academies, which will receive an annual distribution from SAVE. The Department of Education is directed to adopt rules for the distribution of these funds in the form of competitive grants that may be awarded to schools for use on career academy infrastructure and equipment. If the growth of SAVE is more than 2.5% over the previous fiscal year, the amount allocated to the Career Academies Fund is to increase by 0.5% of the amount of SAVE funds available after the distribution to the PTER Fund and the FBSF, to a maximum of \$5.0 million.

The Bill also makes changes to requirements for revenue purpose statements under SAVE and requirements for the issuance of bonds under SAVE. Changes include requiring the completion of a cost-benefit analysis of remodeling or repairing existing buildings for districts completing a certificate of need and requiring that if a school district proposes an athletic infrastructure project using SAVE funds, the district must hold a public hearing on the proposed use of the funds. After the public hearing on a proposed sports or athletic facility, if a vote is successfully petitioned for, the district must hold a vote on the use of the funds. All bond sales must receive public notice and are subject to a petitioned vote.

The Bill also clarifies that SAVE funds may be used for school safety and security infrastructure.

Background

During the 2008 Legislative Session, the General Assembly enacted [HF 2663](#) (State Sales and Use Tax for School Infrastructure Act). Beginning July 1, 2008, the Act repealed the SILO sales tax, which was enacted by individual counties; increased the State sales tax from 5.0% to 6.0%; and designated the 1.00% increase be used for school infrastructure purposes and property tax relief. The State sales/use tax for school infrastructure (SAVE) is currently set to be repealed at the end of calendar year 2029.

In FY 2015, the rate of distribution into the PTER Fund was set at 2.1% of the total funding generated by the 1.0% SAVE sales tax. The remaining 97.9% of the 1.0% sales tax is distributed to school districts on a per-pupil basis. The PTER funding generated by SAVE is combined with an annual \$24.0 million General Fund standing appropriation and is used within the State school aid formula to reduce the additional property tax levy for districts with the highest property tax rates. For the purpose of the FY 2019 school aid formula, the 2.1% allocation generated \$9.7 million in funding for PTER for a total of \$33.7 million, which was distributed across 57 school districts with the highest additional property tax rates. The FY 2019 PTER distribution was based on the total FY 2017 funds generated by SAVE.

The FBSF is a new fund that will supplement the other property tax relief programs, including the Property Tax Replacement Payment (PTRP) and PTER funds. The per-pupil PTRP payment is calculated annually to fix the per-student additional levy portion of the State cost per pupil at the FY 2013 level, or \$750 per student. In FY 2019, the PTRP is \$92 per student, totaling an estimated \$52.1 million. The PTRP is fixed at the current year rate unless legislation is passed to increase the payment with the increase in the State cost per pupil.

Assumptions

The following assumptions are based on growth estimates established by the Revenue Estimating Conference (REC) and the Department of Revenue (IDR):

- SAVE Fund
 - The growth rate of the funds available in SAVE is estimated at 6.24% for FY 2019.
 - The estimated growth rate for FY 2020 and FY 2021 is 7.28% and 3.32%, respectively.
 - Estimated future fiscal year growth rates are presented in **Table 4**.
 - The amounts allocated to school districts from SAVE will be reduced starting in FY 2020 as compared to current law.

- PTER Fund
 - This Bill increases the funds allocated to PTER and dedicated to property tax relief for districts with the highest additional property tax rates.
 - The amount of the PTER Fund transfer may increase by 1.0% annually if SAVE revenue grows at a rate greater than 2.0% each year. Using the estimates in **Table 4**, the PTER may reach its cap of 12.0% in FY 2030.
 - The \$24.0 million standing appropriation to PTER will continue.
 - The PTER distribution for the upcoming fiscal year is based on the previous fiscal year's final receipts; the PTER distribution for FY 2020 is based on final FY 2018 income. Therefore, changes to the PTER Fund and the distribution of funds from the FBSF will not take effect within the school aid formula until the FY 2022 school year.

- Career Academies Fund
 - The allocation to the Career Academies Fund will be \$1.0 million in FY 2020.
 - The allocation to the Career Academies Fund may increase annually if SAVE revenue grows at a rate greater than 2.5% each year. It is estimated that the allocation will reach its peak of \$5.0 million in FY 2023. See **Table 4** for more information.
 - The Department of Education will require one additional FTE position to assume the new grant management responsibilities.

Fiscal Impact

Table 1 shows the estimated decrease in revenue for FY 2020 to FY 2024 from the SAVE Fund for school districts as compared to current law for the same period.

Table 1 — SF 74

Estimated Reductions to School Districts from SAVE Fund
(in millions)

	Current Law		SF 74	Est. Fiscal Impact	
FY 2020	\$	537.2	\$	530.7	\$ -6.5
FY 2021		555.1		540.0	-15.1
FY 2022		565.8		550.5	-15.3
FY 2023		585.4		562.5	-22.9
FY 2024		607.2		577.4	-29.8

Table 2 shows the estimated increases to the PTER Fund for FY 2020 to FY 2024 as compared to current law for the same period, and the estimated allocations for additional levy buydown and the FBSF.

Table 2 — SF 74

Estimated PTER Fund Allocations
(in millions)

	PTER Fund Allocations under SF 74	Change Compared to Current Law	Distributions from the PTER Fund under SF 74	
			Levy Allocations	FBSF Allocation
FY 2020	\$ 17.0	5.5	\$ 15.2	\$ 1.8
FY 2021	\$ 23.2	11.3	\$ 19.5	\$ 3.8
FY 2022	\$ 23.7	11.6	\$ 19.8	\$ 3.9
FY 2023	\$ 30.5	17.9	\$ 24.5	\$ 6.0
FY 2024	\$ 37.8	24.8	\$ 29.6	\$ 8.3

Table 3 shows the estimated allocations to the Career Academies Fund from FY 2020 to FY 2024.

Table 3 — SF 74 — Estimated Career Academies Distributions

Estimated Career Academies Distributions
(in millions)

	Career Academies	
FY 2020	\$	1.0
FY 2021	\$	3.7
FY 2022	\$	3.7
FY 2023	\$	5.0
FY 2024	\$	5.0

The Department of Education estimates it will need an additional FTE position (\$108,000 per fiscal year) for the management of the grants under the career academies funding distribution.

Table 4 uses the REC and the IDR growth estimates to calculate the projected SAVE, Career Academies, PTER, and FBSF distributions from FY 2018 to FY 2051, based on SF 74.

Table 4 — SF 74

Projected SAVE Fund Distributions (in millions)

Fiscal Year	Est. SAVE Fund Growth Rate	SAVE Fund	SAVE Allocation to School Districts	Career Academies Distribution	Percent Allocated to PTER	Est. SAVE Allocated to PTER	Est. PTER Distribution			PTER Standing Appropriation	Est. Total Adjust Additional Levy
							Adj. Levy Allocation From SAVE	Funding Allocated to FBSF			
FY 2018		\$ 481.5	\$ 471.4	\$ 0.0	2.10%	\$ 10.0	\$ 10.0	\$ 0.0	\$ 24.0	\$ 34.0	
FY 2019	6.24%	511.5	500.8	0.0	2.10%	10.7	10.7	0.0	24.0	34.7	
FY 2020	7.28%	548.8	530.7	1.0	3.10%	17.0	15.2	1.8	24.0	39.2	
FY 2021	3.32%	567.0	540.0	3.7	4.10%	23.2	19.5	3.8	24.0	43.5	
FY 2022	1.93%	577.9	550.5	3.7	4.10%	23.7	19.8	3.9	24.0	43.8	
FY 2023	3.48%	598.0	562.5	5.0	5.10%	30.5	24.5	6.0	24.0	48.5	
FY 2024	3.72%	620.2	577.4	5.0	6.10%	37.8	29.6	8.3	24.0	53.6	
FY 2025	2.24%	634.1	584.1	5.0	7.10%	45.0	34.5	10.6	24.0	58.5	
FY 2026	2.29%	648.7	591.1	5.0	8.10%	52.5	39.6	13.0	24.0	63.6	
FY 2027	2.43%	664.4	598.9	5.0	9.10%	60.5	45.0	15.5	24.0	69.0	
FY 2028	2.56%	681.4	607.6	5.0	10.10%	68.8	50.6	18.2	24.0	74.6	
FY 2029	2.56%	698.8	616.3	5.0	11.10%	77.6	56.6	21.0	24.0	80.6	
FY 2030	2.62%	717.1	626.1	5.0	12.00%	86.1	62.4	23.7	24.0	86.4	
FY 2031	2.45%	734.7	641.6	5.0	12.00%	88.2	63.9	24.2	24.0	87.9	
FY 2032	2.45%	752.7	657.4	5.0	12.00%	90.3	65.5	24.8	24.0	89.5	
FY 2033	2.45%	771.2	673.6	5.0	12.00%	92.5	67.1	25.4	24.0	91.1	
FY 2034	2.45%	790.1	690.2	5.0	12.00%	94.8	68.7	26.1	24.0	92.7	
FY 2035	2.45%	809.4	707.3	5.0	12.00%	97.1	70.4	26.7	24.0	94.4	
FY 2036	2.45%	829.2	724.7	5.0	12.00%	99.5	72.1	27.4	24.0	96.1	
FY 2037	2.45%	849.6	742.6	5.0	12.00%	101.9	73.9	28.0	24.0	97.9	
FY 2038	2.45%	870.4	760.9	5.0	12.00%	104.4	75.7	28.7	24.0	99.7	
FY 2039	2.45%	891.7	779.7	5.0	12.00%	107.0	77.6	29.4	24.0	101.6	
FY 2040	2.45%	913.5	798.9	5.0	12.00%	109.6	79.5	30.1	24.0	103.5	
FY 2041	2.45%	935.9	818.6	5.0	12.00%	112.3	81.4	30.9	24.0	105.4	
FY 2042	2.45%	958.9	838.8	5.0	12.00%	115.1	83.4	31.6	24.0	107.4	
FY 2043	2.45%	982.3	859.5	5.0	12.00%	117.9	85.5	32.4	24.0	109.5	
FY 2044	2.45%	1,006.4	880.6	5.0	12.00%	120.8	87.6	33.2	24.0	111.6	
FY 2045	2.45%	1,031.1	902.3	5.0	12.00%	123.7	89.7	34.0	24.0	113.7	
FY 2046	2.45%	1,056.3	924.6	5.0	12.00%	126.8	91.9	34.9	24.0	115.9	
FY 2047	2.45%	1,082.2	947.3	5.0	12.00%	129.9	94.2	35.7	24.0	118.2	
FY 2048	2.45%	1,108.7	970.7	5.0	12.00%	133.0	96.5	36.6	24.0	120.5	
FY 2049	2.45%	1,135.9	994.6	5.0	12.00%	136.3	98.8	37.5	24.0	122.8	
FY 2050	2.45%	1,163.7	1,019.1	5.0	12.00%	139.6	101.2	38.4	24.0	125.2	
FY 2051	2.45%	596.1	519.6	5.0	12.00%	71.5	51.9	19.7	24.0	75.9	

Sources

Department of Education
Department of Management
Department of Revenue
Iowa Association of School Boards
Revenue Estimating Conference
LSA analysis and calculations

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
