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[HF 2438](#) – Secure an Advanced Vision for Education Extension (LSB5423HV)  
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Fiscal Note Version – New

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**Description**

[House File 2438](#) (Secure an Advanced Vision for Education Extension) contains two provisions regarding the Secure an Advanced Vision for Education (SAVE) and Property Tax Equity Relief (PTER) funds. 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 recreation 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, 2050, 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 10.0% of the funds generated by SAVE.

**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 Beginning July 1, 2008, the Act repealed the SILO Sales Tax, which was enacted by individual counties; increased the State sales tax from 5.0% to 6.0%; and designated the increase to be used for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 The State sales/use tax for school infrastructure (SAVE) is currently set to be repealed at the end of 2029.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 on a per pupil basis to school districts. 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 2018 school aid formula, the 2.1% allocation generated \$9.7 million, or a total of \$33.7 million, in funding for PTER, which was distributed across 61 school districts with the highest additional property tax rates. The FY 2018 PTER distribution was based on the total FY 2016 generated by SAVE.

**Assumptions**

- Estimated FY 2017 and FY 2018 increases in SAVE are set at a 2.45% growth rate.
- The growth rate for estimated FY 2019 to FY 2050 is set at 2.48% based on the average annual growth of SAVE from FY 2009 to estimated FY 2017.
- The amount of the PTER Fund transfer will increase by 1.0% annually beginning in FY 2019 until FY 2026, when it will reach 10.0%. If SAVE revenue does not grow at a greater than

2.0% rate each year between FY 2019 and FY 2026, it may take longer to reach the 10.0% cap.

**Fiscal Impact**

**Table 1** shows the estimated fiscal impact on distribution to schools for SAVE purposes and distribution to the PTER Fund until FY 2050. Fiscal Year 2050 is a half fiscal year.

**Table 1**

Estimated Changes to SAVE and PTER - HF 2438						
<u>Fiscal Year</u>	<u>Est. SAVE Fund Growth Rate</u>	<u>SAVE Allocation to School Districts</u>	<u>Percent Change In School Allocation</u>	<u>Percent Allocated To PTER</u>	<u>Total Funding Allocated to PTER</u>	
FY 2017	2.45%	\$ 454,315,075	2.45%	2.10%	\$ 9,745,267	
FY 2018	2.45%	465,441,764	2.45%	2.10%	9,983,940	
FY 2019	2.48%	472,112,557	1.43%	3.10%	15,103,704	
FY 2020	2.48%	478,827,956	1.42%	4.10%	20,471,268	
FY 2021	2.48%	485,586,071	1.41%	5.10%	26,095,774	
FY 2022	2.48%	492,384,890	1.40%	6.10%	31,986,665	
FY 2023	2.48%	499,222,276	1.39%	7.10%	38,153,694	
FY 2024	2.48%	506,095,959	1.38%	8.10%	44,606,934	
FY 2025	2.48%	513,003,536	1.36%	9.10%	51,356,790	
FY 2026	2.48%	520,520,815	1.47%	10.00%	57,835,646	
FY 2027	2.48%	533,429,732	2.48%	10.00%	59,269,970	
FY 2028	2.48%	546,658,789	2.48%	10.00%	60,739,865	
FY 2029	2.48%	560,215,927	2.48%	10.00%	62,246,214	
FY 2030	2.48%	574,109,282	2.48%	10.00%	63,789,920	
FY 2031	2.48%	588,347,192	2.48%	10.00%	65,371,910	
FY 2032	2.48%	602,938,202	2.48%	10.00%	66,993,134	
FY 2033	2.48%	617,891,070	2.48%	10.00%	68,654,563	
FY 2034	2.48%	633,214,768	2.48%	10.00%	70,357,196	
FY 2035	2.48%	648,918,495	2.48%	10.00%	72,102,055	
FY 2036	2.48%	665,011,673	2.48%	10.00%	73,890,186	
FY 2037	2.48%	681,503,963	2.48%	10.00%	75,722,663	
FY 2038	2.48%	698,405,261	2.48%	10.00%	77,600,585	
FY 2039	2.48%	715,725,712	2.48%	10.00%	79,525,079	
FY 2040	2.48%	733,475,709	2.48%	10.00%	81,497,301	
FY 2041	2.48%	751,665,907	2.48%	10.00%	83,518,434	
FY 2042	2.48%	770,307,221	2.48%	10.00%	85,589,691	
FY 2043	2.48%	789,410,840	2.48%	10.00%	87,712,316	
FY 2044	2.48%	808,988,229	2.48%	10.00%	89,887,581	
FY 2045	2.48%	829,051,137	2.48%	10.00%	92,116,793	
FY 2046	2.48%	849,611,605	2.48%	10.00%	94,401,289	
FY 2047	2.48%	870,681,973	2.48%	10.00%	96,742,441	
FY 2048	2.48%	892,274,886	2.48%	10.00%	99,141,654	
FY 2049	2.48%	914,403,303	2.48%	10.00%	101,600,367	
FY 2050	2.48%	468,540,253	-48.76%	10.00%	52,060,028	

**Sources**

Department of Revenue  
LSA analysis and calculations

/s/ Holly M. Lyons

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February 22, 2018

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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.

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