



Secure an Advanced Vision for Education and the Property Tax Equity and Relief Funds

During the 2008 Legislative Session, the General Assembly enacted H.F. 2663 (State Sales and Use Tax for School Infrastructure Act). Beginning July 1, 2008, the Act repealed the School Infrastructure Local Option (SILO) Sales Tax and replaced it, and increased the State sales tax from 5.0% to 6.0%, designating the increase to be used for school infrastructure or property tax relief. Funding of the State sales/use tax for school infrastructure is to be repealed at the end of 2029.

Secure an Advanced Vision for Education (SAVE)

Most of the revenue from the State sales/use tax for school infrastructure is deposited in the Secure an Advanced Vision for Education (SAVE) Fund. In general, funds from the SAVE Fund are distributed to school districts in the same manner as the SILO sales tax funding had been. School districts receive monthly payments based on Department of Revenue estimates. The payments are based on 95.0% of the overall estimates with a reconciliation payment made in November following the fiscal year. The reconciliation payment includes adjustments for the difference between the estimated payments and the actual State sales/use tax accumulated during the fiscal year. Funding is provided to school districts on a per pupil basis. By FY 2014, all grandfather provisions that provided some school districts the right to retain the district's own share of the sales/use tax for school infrastructure will expire, and all school districts will receive the same per pupil amount. Use of SAVE Funds received by a school district is designated by each school district's revenue purpose statement.

Property Tax Equity and Relief (PTER)

After the SAVE distribution, the remaining State sales/use tax for school infrastructure revenue is deposited in the Property Tax Equity and Relief (PTER) Fund and used for property tax relief provided through the school aid formula. Because of timing issues, the PTER funding providing property tax relief is provided in the fiscal year after the PTER Fund amount is determined. For example, the excess school infrastructure sales/use tax revenues from FY 2009 are determined in November following the fiscal year. After all school districts certify their FY 2011 budgets to the Department of Management (DOM), the DOM applies the PTER funding formula and lowers property tax totals for eligible school districts. Combining PTER with the \$24.0 million standing appropriation designated for school aid property tax relief, the funding formula works as follows:

- The first step is to provide property tax relief to all school districts that have an adjusted additional levy rate above the statewide average. If funding is insufficient to reduce those rates to the statewide average, the funding is used to provide property tax relief to the districts with the highest levy rates until the funds are exhausted.
- If there are funds remaining after the statewide average levy rate goal is achieved, then the remaining funds are used to increase the foundation level. The increase in the foundation level for the specific fiscal year is based on the funds available. This action provides property tax relief to all school districts.

FY 2009 SAVE and PTER Fund Amounts

Based on sales/use tax data from the Department of Revenue, the FY 2009 SAVE distribution to school districts totaled approximately \$373.7 million with \$363.7 million from the State sales/use tax for school infrastructure and \$10.0 million from the \$10.0 million Rebuild Iowa Infrastructure Fund (RIIF) appropriation to the SAVE Fund. State sales/use tax for school infrastructure in excess of the amount needed to fund the SAVE distribution is deposited in the PTER Fund. In November 2009, the Department of Revenue determined this amount to be \$25.4 million. This amount combined with the \$24.0 million currently built into the school aid formula provided property tax totaling \$49.4 million through the school aid formula, lowering property taxes in 143 school districts in FY 2011.

More Information

LSA SAVE/PTER Funding Information: http://staffweb.legis.state.ia.us/lfb/docs/k-12_ed/silo/silo.htm

Department of Revenue SAVE Allocation Estimates: <http://www.iowa.gov/tax/locgov/locgovLOST.html>

LSA Staff Contact: Shawn Snyder (515-281-7799) shawn.snyder@legis.state.ia.us

Secure an Advanced Vision for Education and the Property Tax Equity and Relief Funds

FY 2011 School Finance Formula Property Tax Relief

Chart 1 provides an example of how property tax relief from the PTER Fund is implemented through the school aid formula in FY 2011. The \$24.0 million appropriated to provide property tax relief through the school aid formula provided property tax relief to 79 districts that had an adjusted additional tax levy rate greater than \$3.8374/\$1,000 of taxable valuation, reducing the rates to that level (represented by the red line in **Chart 1**). The PTER Fund provided an additional \$25.4 million in property tax relief and will reduce the levy rate to \$3.2606. In addition to the 79 districts that benefited from the \$24.0 million appropriation, an additional 64 districts received property tax relief from the PTER Fund. The final result in FY 2011 is 143 districts with an adjusted additional tax levy rate greater than \$3.2606 will be brought down to that rate (represented by the black line in **Chart 1**). Statute requires that if there is sufficient funding remaining after lowering the adjusted additional levy rate of eligible school districts to the statewide average, then the remaining funds are to be used to increase the foundation level, resulting in property tax relief to all districts. The statewide average adjusted additional levy rate in FY 2011 was \$3.2268 and was not attained with the funding available.

Chart 1 – FY 2011 School Aid Property Tax Relief

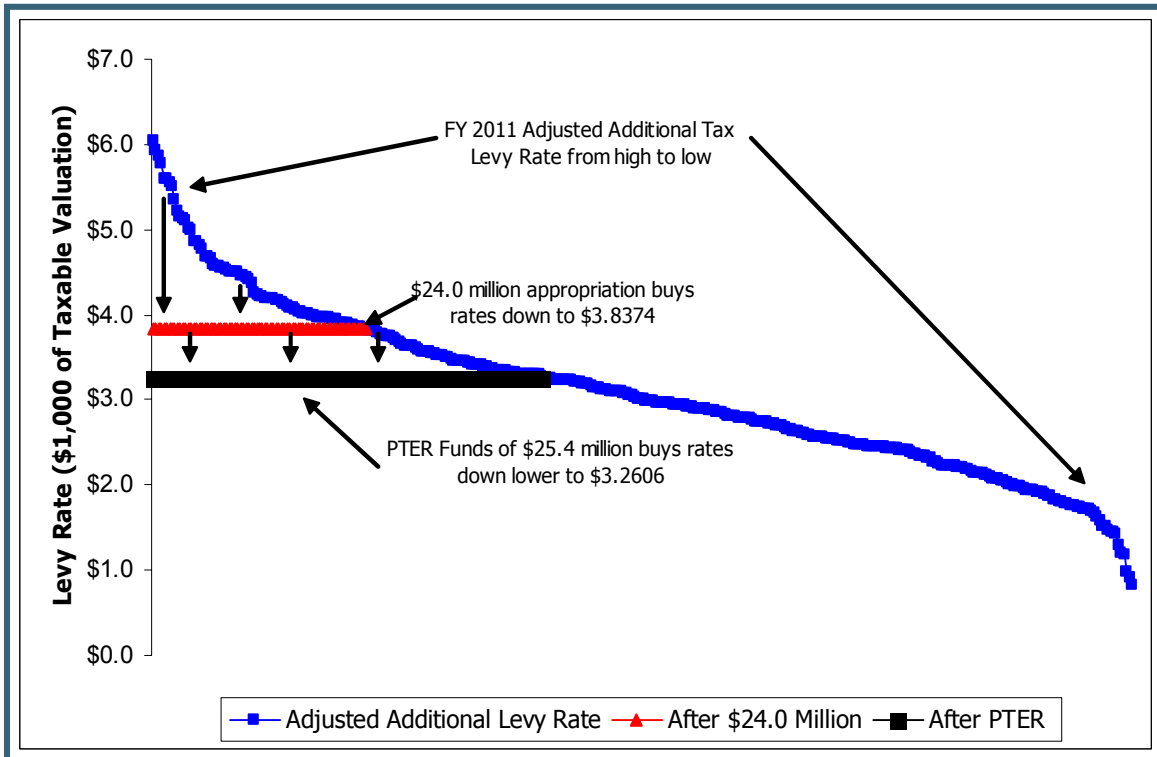


Table 1 provides statistics on school aid property tax relief in FY 2011. Prior to the property tax relief, the range between the highest levy rate (\$6.0524) and the lowest levy rate (\$0.8205) was \$5.2319. The range of the levy rate after the property tax relief was \$2.4402. The table also provides information comparing the 143 districts that received PTER funding.

Table 1 – FY 2011 Adjusted Additional Levy Rate Information

	All Districts (N=359)		Districts Receiving PTER Fund (N=143)		
	Adjusted Additional Levy Rate	Levy Rate After PTER	Adjusted Additional Levy Rate	Levy Rate After PTER	Amount of Property Tax Relief
Maximum	\$ 6.0524	\$ 3.2607	\$ 6.0524	\$ 3.2607	\$ 7,429,275
Minimum	0.8205	0.8205	3.2697	3.2607	3,630
Range	5.2319	2.4402	2.7827	0.0000	7,425,645
Median	2.9996	2.9996	3.8903	3.2607	108,203
Average	3.2268	2.8329	4.0844	3.2607	345,380

Levy rates expressed in \$1,000 of taxable valuations.