

Issue Brief 2017

Extend the State Penny for School Infrastructure

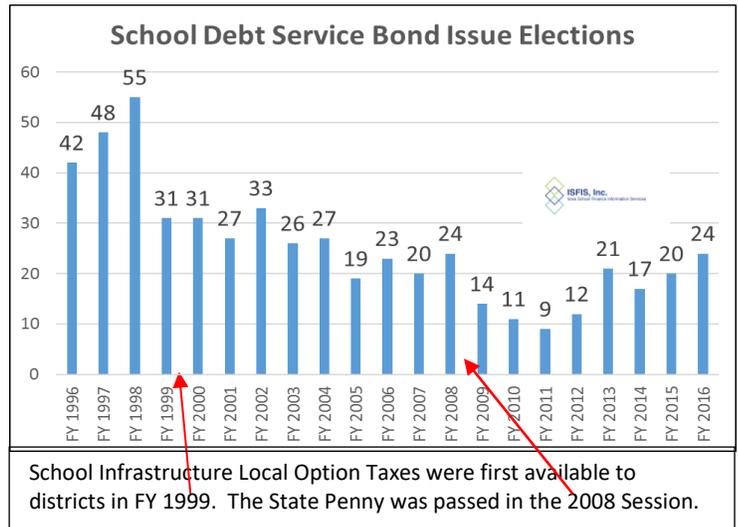
When the State Penny for School Infrastructure was created in 2008, the legislation included a Dec. 31, 2029 sunset; a legitimate 20-year timeframe that matched the typical bonding period for property-tax funded projects. Nine years later, schools are feeling the pinch of a shortened bonding period:

- With only 12 years of bonding capacity, the shortened bonding stream – more than \$700 million dollars of borrowing capacity, is unavailable compared to if schools had a full 20 years.
- With low interest rates and unmet needs, this is the wrong time to turn to property taxes rather than sales taxes to continue facilities repair and construction.
- Fallback will always be property taxes. Inequity in valuations means some districts will use PPEL or Debt Service property taxes bearing no relationship to enrollment or need. Iowa will fall back into the infrastructure mess school experienced with inadequate facilities and unequal student resources.

State penny has taken on the age-old problem of equity and adequacy for school facilities. Use of the local option tax from 1998-2008 and the state penny sales tax for school infrastructure since has:

- Funded technology expansions in districts (such as 1:1 initiatives)
- Elevated student learning (such as science labs in middle schools to support STEM)
- Resulted in fewer days lost to extreme temps and returned saved energy dollars to education program
- Equalized infrastructure funding per pupil
- Purchased items otherwise requiring PPEL levy increases or new Bond Issues
- Reduced property taxes and provided additional property tax relief through dedication of use tax to equity.

The annual history of the number of bond elections proves the point: fewer bond issues were initially voted on every year since the start of the state penny, although the downward trend has reversed. If the penny cannot be anticipated for a full 20 years, property taxes will escalate.



The replacement cost of Iowa schools is an estimated \$16.4 billion (July 1, 2014). The penny funds about 2.5% of the total, a reasonable amount to maintain and update Iowa schools while also providing for equipment, computers, busses and property tax relief.

The UEN supports extension of the Penny. Eliminate the sunset permanently, allowing districts to maintain facilities and technology without needlessly increasing property taxes. Future state penny revenues should remain dedicated to schools and property tax equity/relief.

Lew Finch, UEN Executive Director
lfinch@mchsi.com
319.329.0547 Cell

Margaret Buckton, UEN Lobbyist
margaret.buckton@isfis.net
515.201.3755 Cell