

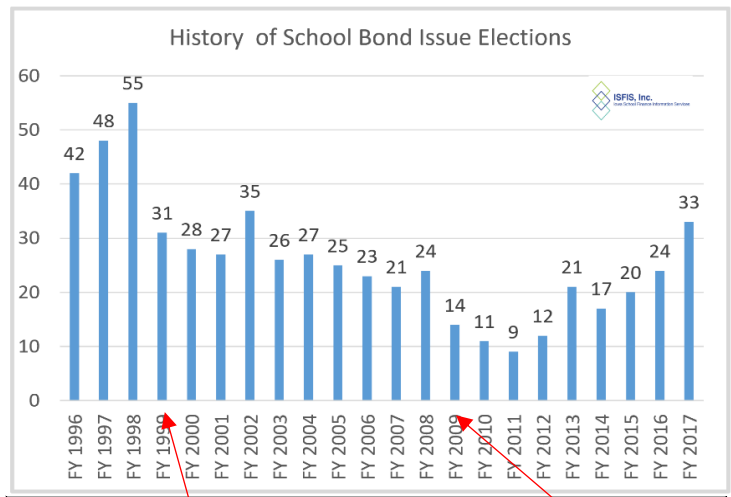
Issue Brief 2018
Extend the State Penny for School Infrastructure

Background: The State Penny for School Infrastructure, established in 2008, expires on Dec. 31, 2029. The original 20-year timeframe matched the typical bonding period for property-tax backed construction projects. State penny has helped schools address 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 have together:

- Funded school safety improvements and technology to protect students and staff
- Funded technology expansions in districts (such as STEM/CTE initiatives, resources for computer programming courses, and integrated technology into instruction for teachers)
- Elevated student learning (science labs, STEM, CTE and the arts, to name a few)
- Upgraded fields/facilities/fine arts areas for student/community participation and connection to school
- Resulted in fewer days lost due to extreme temperatures
- Returned saved energy dollars to the educational program
- Purchased items otherwise requiring PPEL levy increases or new Bond Issues
- Created secure entry areas and other safety features to protect staff and students
- Reduced property taxes and additional property tax equity through dedication of use tax to property tax relief.

Current Reality: Ten years later, schools are feeling the pinch of a shortened bonding period.

- The replacement cost of Iowa schools was estimated to be \$16.4 billion (July 1, 2014). The state penny provides an annual investment of 2.55%, a reasonable amount to maintain and update Iowa schools, including funding for technology, equipment, buses and additional property tax relief.
- Fallback will always be property taxes. Inequity in valuations means that districts access to PPEL/Debt Service property taxes bears little relationship to enrollment or need. Iowa will return to the infrastructure mess that delivered inadequate school facilities and unequal student resources.
- History of the number of bond issue elections in Iowa proves the point: fewer bond issues were needed since the start of the state penny. That track record will continue if the penny can be bonded against for the full 20 years. Absent that action, as the time frame shortens, the number of bond issues backed by property taxes will continue to grow, as evidenced by this chart of the history.
- With low interest rates and unmet needs, this is the wrong time to turn to property taxes rather than sales taxes for facilities repair and construction, yet school districts bond issues are increasing statewide as the anticipating window is closing.



School Infrastructure Local Option Taxes were first available to districts in FY 1999. The State Penny was passed in the 2008 Session.

UEN Supports State Penny Sales Tax Extension: 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.

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