



IOWA DEPARTMENT OF EDUCATION

Frequently Asked Questions (FAQs) Regarding Implementing the Physical Plant and Equipment Levy

July 2016

Frequently Asked Questions Regarding Implementing the Physical Plant and Equipment Levy

1. **Question:** What is the procedure for a school board to implement the Physical Plant and Equipment Levy (PPEL) by board action?

Answer: The board may implement the regular PPEL on its own action. The levy shall not exceed thirty-three cents (\$0.33) per thousand dollars of assessed valuation. The levy is implemented annually when the budget is certified by April 15 prior to the budget year.

2. **Question:** Can the board issue long-term debt against the regular PPEL?

Answer: No. The regular PPEL is an annual levy and cannot be pledged or anticipated for purposes of issuing long-term debt. However, any funds on hand from the regular PPEL can be used to pay principal and interest on debt issued against the voter-approved PPEL or to pay principal on general obligation bond indebtedness as permitted by Iowa Code section 298.3.

3. **Question:** How can the voter-approved PPEL (VPPEL) election be initiated?

Answer: The VPPEL election can be initiated by one of two ways:

- a. The board on its own motion, or
- b. Upon a properly filed written petition from eligible electors.

4. **Question:** What constitutes a properly filed petition?

Answer: The petition must be signed by eligible voters in the district equal to the greater of:

- a. 100 eligible electors, or
- b. 30 percent of the number of eligible voters that voted at the last regular school election.

5. **Question:** What is an eligible elector?

Answer: An eligible elector is an individual that possesses all of the qualifications necessary to be entitled to register to vote, whether or not the individual is in fact registered.

6. **Question:** If a petition is received, is the board required to submit the question to the voters?

Answer: Yes. The board shall direct the county commissioner of elections to submit the question to the voters.

7. **Question:** What is the procedure the school board must follow?

Answer: The board must follow these steps:

- a. Direct the county commissioner of elections to submit the question of levying the VPPEL for a period not exceeding 10 years to the registered voters of the district at an election on a date specified in Iowa Code section 39.2(4)(c).
- b. If a majority of those voting on the proposition at the election approves it, the proposition is adopted.
- c. The board shall determine how the VPPEL will be funded and shall certify the information to the Department of Management by April 15.

8. **Question:** If the question is submitted to the voters and they do not approve the VPPEL, how long must the board wait to take action to resubmit the question to the voters?

Answer: Iowa Code does not include a restriction on this.

9. **Question:** How does the board certify to the Department of Management?

Answer: The board will submit to the Department of Management the following:

- 1) A copy of the proposition successfully submitted to the voters,
- 2) The canvas of votes,
- 3) The method of funding, and
- 4) The amount to be raised.

If the funding method is 100 percent property tax, the due date for the above submission to the Department of Management is May 1 of the base year in order to be implemented (levied) in the budget year. The base year is the fiscal year prior to the budget year. If the expenditures or revenues from the levy had not been included on the certified budget, the district may need to amend its certified budget after July 1 in order to spend the taxes received.

If the funding method is a mix of property tax and income surtax, the due date for the submission to the Department of Management is April 15 of the base year in order to be implemented in the budget year, and the successful election must have occurred in sufficient time to be published and certified on the certified budget.

10. **Question:** What is the maximum VPPEL possible?

Answer: One dollar and thirty-four cents per thousand dollars (\$1.34) of assessed valuation.

11. **Question:** How can VPPEL be funded?

Answer: The levy may be funded in one of two ways:

- a. From a local property tax levy, or
- b. From a combination of a local property tax levy and an income surtax. The income surtax must be in whole percentage points. The combination of the instructional support income surtax and all other income surtaxes shall not exceed 20 percent.

12. **Question:** Can VPPEL be funded totally with income surtax?

Answer: No. The method of funding which includes income surtax requires a portion of the VPPEL be funded by a local property tax levy.

13. **Question:** What is the minimum local property tax levy that is required?

Answer: One dollar (\$1.00) of assessed valuation.

14. **Question:** If the board adopts a combination of local property tax levy and an income surtax, what is the minimum income surtax that is required?

Answer: One percent.

15. **Question:** Must the board include the funding method in the proposition?

Answer: Yes, the proposition must include the fact that it will be funded with a mix of property tax and income surtax or with all property tax. The board determines the percent of income surtax and the property tax levy rate that will be imposed each year when it certifies its annual budget by April 15 of the base year.

16. **Question:** If the board chooses to fund VPPEL by a combination of property tax and income surtax, can the mix between the two funding sources be changed each year?

Answer: Yes. The board has the responsibility to establish the mix for each year.

17. **Question:** Can the board issue long-term debt from VPPEL?

Answer: Yes; however, if the board intends to enter into a rental or lease arrangement from VPPEL or intends to enter into a loan agreement from VPPEL, only a property tax shall be levied for those purposes. Similar to regular PPEL, the income surtax portion cannot be obligated or anticipated for long-term debt purposes.

The rental, lease, or loan cannot exceed 10 years or the remaining years for which the VPPEL is authorized, whichever is shorter.

18. **Question:** What is income surtax, and how is it applied?

Answer: A surtax is a tax on a tax. The surtax is imposed on the income tax liability after tax credits on the Iowa Individual Income Tax returns of taxpayers residing within the district on the last day of the tax year. The surtax is not imposed on other income tax returns such as fiduciary or corporation income tax returns.

19. **Question:** When are the property tax and income surtax received by the district?

Answer: Property tax will be collected with other property taxes during the budget year. Income surtax will be paid in two payments during the fiscal year following the budget year, with approximately 75 percent paid December 1 and the remaining 25 percent paid February 1. Income surtax payment to the district comes from the income tax year two years previous, and the rates are established in the base year's aid and levy worksheet.

20. **Question:** What happens to VPPEL in the event of reorganization?

Answer: The VPPEL will continue in the newly reorganized district for the shortest period of time and the least amount of funding in the former districts involved in the reorganization, as long as the voters in the newly reorganized district have not voted favorably or unfavorably on a new VPPEL.

21. **Question:** What happens to VPPEL in the event of a reorganization if one district had outstanding VPPEL debt that is greater than the amount of VPPEL which will be generated during the shortest period of time and the least amount of funding in the former districts involved in the reorganization?

Answer: Two sections of Iowa Code will apply. First, the VPPEL will continue in the newly reorganized district for the shortest period of time and the least amount of funding in the former districts involved in the reorganization. Then, the requirement of Iowa Code section 297.36 will apply to ensure that the bond holders/lenders are repaid in full. If the annual levy at the smallest amount is not sufficient to repay the debt, an additional amount will be levied on the original territory that incurred the debt for the difference needed to repay the debt each year. If the levy expires before the final year of the debt, an additional amount will be levied on the original territory that incurred the debt for the number of additional years the debt was to run, unless the VPPEL is reauthorized in the newly reorganized district. In that case, the newly reorganized district would continue to pay off the debt on the original schedule.

22. **Question:** Can the voters vote upon the proposition to levy VPPEL in the reorganized district before the July 1 date on which the district is reorganized?

Answer: Yes.

23. **Question:** If a petition is filed to vote on a VPPEL in the newly reorganized district before the July 1 date on which the district is reorganized, what number of signatures is required?

Answer: If the board members for the newly reorganized district were elected at the regular school election, the number of signatures required is the greater of 100 eligible electors or 30 percent of the electors voting in the regular school election at which the board members were elected. If the board members were elected at a special election, the number of signatures required is 100 eligible electors.

24. **Question:** What happens if one former district was funding VPPEL with a property tax and the other district was funding with a combination of a property tax and an income surtax?

Answer: The newly reorganized district can continue the program, but it will be all property tax funding without an income surtax portion. The “shortest amount of time and smallest amount” rule is applied to the income surtax portion, making it zero. The funding in the newly reorganized district will be all property tax. The property tax amount will be for the shortest remaining time and the smallest amount.

25. **Question:** If the original proposition to implement VPPEL limited the uses of the VPPEL funding, can the district vote again before the expiration of the original VPPEL to

expand the allowable uses to those allowed in Iowa Code? If so, if the vote is unsuccessful, does that end the original VPPEL?

Answer: Yes, the district can vote to expand the uses of VPPEL before the VPPEL expires. If the vote is unsuccessful, the original authorized levy for the period of time approved is not affected.

26. **Question:** What happens to outstanding VPPEL debt if a district dissolves?

Answer: How to address outstanding VPPEL would be addressed in the distribution of assets and liabilities in the dissolution proposal, and may include levying sufficient property taxes on the original territory until the debt is repaid. Sufficient resources or additional levy will be required to repay the debt as districts cannot default on legal indebtedness.