

Secure an Advanced Vision for Education (SAVE)

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Revenue Purpose Statement

Question: Are districts required to have a revenue purpose statement?

Answer: No. A district that does not have a valid revenue purpose statement must expend its revenue for property tax relief in the order specified in Iowa Code section 423F.3(1).

Question: If a district doesn't have a valid revenue purpose statement, how must the proceeds be expended?

Answer: A district that does not have a valid revenue purpose statement must expend its revenue for property tax relief in the order specified in Code. Revenues shall be used to reduce the levies in this order except that the payment of bonds for which the revenues have been pledged shall be paid first:

- a. Bond levies under sections 298.18 and 298.18A and all other debt levies, until the moneys received or the levies are reduced to zero (debt service levy for general obligation school bonds).
- b. The regular physical plant and equipment levy (PPEL) under section 298.2, until the moneys received or the levy is reduced to zero.
- c. The voter-approved physical plant and equipment levy (VPPEL) and income surtax, if any, under section 298.2, until the moneys received or the levy and income surtax, if any, are reduced to zero.
- d. The public educational and recreational levy under section 300.2 (PERL), until the moneys received or the levy is reduced to zero.
- e. Any money remaining after the reduction of the levies specified may be used for any authorized school infrastructure purpose of the school district as defined in section 423E.1, subsection 3, Code 2007.

- f. Payment of principal and interest on bonds issued under sections 423E.5 and 423F.4.

Question: Can a district use its SAVE revenues to reduce property tax in the General Fund or the Management Fund?

Answer: No.

Question: If the revenue purpose statement included a generic purpose of property tax reduction, but was not specific as to which taxes or by what sequence they must be reduced, may the district select any taxes it wants to reduce, other than general or management?

Answer: Yes. The district may use its revenues to reduce taxes, but only for the same funds listed in Code: Debt Service, PPEL, VPPEL, and PERL. The district may reduce these taxes in any sequence or combination that would comply with its revenue purpose statement and Code.

However, this property tax reduction cannot prevent the district from paying principal and interest when due on outstanding debt issued under Iowa Code sections 423E.5 or 423F.4.

Question: May the revenue purpose statement be broader than the definition of "school infrastructure" in Iowa Code?

Answer: No. The revenue purpose statement cannot be broader than the language in Iowa Code that defines school infrastructure for purposes of SAVE.

Question: Is there any limitation on the purposes a district may list in its revenue purpose statement?

Answer: Yes. The purposes listed in the revenue purpose statement must be limited to the purposes defined as school infrastructure in section 423E.1(3) Code 2007. However, the uses listed in the revenue purpose statement shall not prevent the district from first paying principal and interest when due on outstanding Revenue bonds issued under Iowa Code sections 423E.5 or 423F.4.

Question: Can a school board, by resolution, without a vote of the patrons of the district, modify the revenue purpose statement?

Answer: Yes, but only if the board resolution is to use the proceeds solely for property tax relief by reducing indebtedness from the levies specified under section 298.2 (VPPEL loans) or 298.18 (General Obligation bonded indebtedness). For any other purposes, the revenue purpose statement must be submitted to the electors.

Question: Can the voters in the school district modify the revenue purpose statement?

Answer: Yes. The district electors, by holding a successful new revenue purpose statement election, can change the uses of the SAVE proceeds to include (or exclude) any uses that meet the definition of school Infrastructure for purposes of SAVE. However, the changes shall not prevent the district from first paying principal and

interest when due on outstanding revenue bonds issued under Iowa Code sections 423E.5 or 423F.4.

Question: Is the district limited to those purposes included in its revenue purpose statement?

Answer: Yes. The district must expend its SAVE proceeds on those purposes listed in its revenue purpose statement. The district may not expend its SAVE proceeds on other items, even if those items fall within the definition of school infrastructure, if those items were not included in the revenue purpose statement.

Question: For how long is a revenue purpose statement in effect?

Answer: Once approved, a revenue purpose statement is effective until it is amended or repealed.

Question: How many voters are required to approve a revenue purpose statement?

Answer: A majority of those voting on the question must favor approval of the revenue purpose statement.

Question: If the voters do not approve the revenue purpose statement, how long must a district wait to submit another revenue purpose statement for consideration?

Answer: If the proposed revenue purpose statement is not approved, the district shall not submit the same or new revenue purpose statement to the electors for a period of six months from the date of the previous election.

Question: What fund will be used to account for the revenue purpose statement election costs?

Answer: The SAVE Capital Projects Fund would be used to pay the election costs.

Sharing Proceeds and Joint Projects

Question: Can a community college or area education agency (AEA) receive SAVE proceeds directly?

Answer: No. Neither of those entities is included in the legal definition of “school districts” for purposes of Iowa Code chapter 423E/423F.

Question: Can the school district share SAVE proceeds with another school district?

Answer: Yes, but only through a 28E agreement. The sharing school district shall only use its portion of the proceeds for school infrastructure purposes.

Question: Can the 28E agreement to share SAVE proceeds be the same 28E agreement the district is using for whole grade sharing?

Answer: No.

Question: Can the school district share SAVE proceeds with a community college?

Answer: Yes, but only through a 28E agreement and only with the community college in which area the district is located. The community college shall expend its designated portion of the proceeds only for infrastructure purposes.

Question: Can the school district share SAVE proceeds with an AEA?

Answer: Yes, but only through a 28E agreement and only with the AEA in which the district is located. The AEA shall expend its designated portion of the proceeds for infrastructure or maintenance purposes. Maintenance, for this purpose, would be items that are capital in nature.

Question: If the city or county wants to enter into a 28E agreement to share SAVE proceeds, is the district required to do so?

Answer: No. The school district is not required to enter into a 28E agreement to share SAVE proceeds with the city or the county.

Question: Can the school district share SAVE proceeds with a city?

Answer: Yes, but only through a 28E agreement and only with a city in which all or a portion of the school district is located. The city's portion of the proceeds shall be used for school infrastructure or any valid purposes authorized by the governing board of the city.

Question: Can the school district share SAVE proceeds with a county?

Answer: Yes, but only through a 28E agreement. The county's portion of the proceeds must be used to provide property tax relief within the boundaries of the school district located in the county.

Question: How is the city or county share determined?

Answer: This is determined by the written terms of the 28E agreement.

Question: Can the school district use its portion of shared SAVE proceeds for the purposes the governing board of the city authorized if these uses were included in the revenue purpose statement of the district?

Answer: No. The law only authorizes the city to use its portion under the 28E for purposes authorized by the governing board of the city.

Question: Must the sharing of SAVE proceeds with the city, county, community college, AEA, or another school district be included in the revenue purpose statement prior to the district entering into a 28E agreement to share the proceeds?

Answer: Yes.

Question: Can the school district use SAVE proceeds for a joint infrastructure project with one or more other school districts, or with one or more other school districts and a community college?

Answer: Yes. Under a 28E agreement, each school district could use its SAVE proceeds and the community college could use its capital projects funds to jointly construct or jointly lease school buildings or school facilities. Those buildings or

facilities will be used solely to offer contracted courses listed in the 28E agreement with the community college, or to offer concurrent enrollment classes which are eligible for supplementary weighting and listed in the 28E agreement with the community college. The 28E agreements related to courses and instruction will be separate agreements from the 28E agreement for the joint infrastructure project. The proceeds can be used for construction or lease of facilities but cannot be used for program purposes. Tuition and instructional costs shall be accounted for in the General Fund and shall be recorded gross rather than net.

Borrowing

Question: Can the district issue General Obligation bonds in order to immediately make funds available from the SAVE proceeds?

Answer: No. The district can issue Revenue bonds but cannot issue General Obligation bonds.

Question: Can the district issue negotiable, interest-bearing Revenue bonds in order to immediately make funds available for construction then repay those Revenue bonds with the SAVE proceeds?

Answer: Yes. The district may issue Revenue bonds without a vote of the electors. The bond principal and interest can be paid from the SAVE proceeds.

Question: Can a district use General Obligation bond proceeds issued under Iowa Code section 296.1 to pay or retire Revenue bonds issued under Iowa Code chapter 423E/423F?

Answer: No.

Question: Can the district issue anticipatory warrants/notes or stamped warrants against future SAVE proceeds?

Answer: Chapters 423E and 423F authorize districts to issue Revenue bonds but do not mention anticipatory warrants, notes, or stamped warrants. Chapter 74, in regard to anticipatory warrants, refers to assessments on property, which would be property taxes rather than sales and use tax proceeds.

Question: If a district plans to pay the principal and interest on its General Obligation bonds from SAVE proceeds, is it required to complete form 703 on its certified budget?

Answer: Yes. The district must complete form 703 to show the total amount of principal and interest due in column G, and include the amount to be paid from the SAVE fund in column H.

Question: Can the district obtain a loan against the future SAVE proceeds?

Answer: Iowa Code authorizes the district to issue Revenue bonds without a vote of the electors. Loans are not mentioned in chapter 423E or 423F.

Budgeting

Question: Do SAVE proceeds and expenditures need to be included in the certified budget?

Answer: Yes.

Question: Is the district responsible for reducing the taxes on its certified budget prior to certifying the budget, or will the county auditor and Department of Management reduce the taxes prior to certifying the levies?

Answer: The district is responsible for reducing the taxes on its certified budget before publication and certification of that budget.

Question: For purposes of reducing taxes, can the district anticipate SAVE proceeds or debt service tax levies to be received in the fiscal year but not yet received at the time it certifies its budget?

Answer: No. Iowa Code chapter 76 requires the funds be actually received and available before a district can certify that the levy can be abated.

Question: How does the district determine and accomplish the reduction in taxes?

Answer:

1. The district would determine the amount it has available and on hand in the SAVE Capital Projects Fund. This would be determined by approximately March 15 in order to have time to publish and certify the budget by April 15.
2. DEBT SERVICE LEVY. The levy that must be reduced first is the debt service levy for payment of principal and interest on General Obligation bonded indebtedness.
 - a. The district would determine the amount it has available and on hand in its Debt Service Fund, minus the amount that is needed for principal and interest on bond repayments due prior to the end of the current fiscal year. The district would not include in this calculations any amount included in the Debt Service Fund that were transferred from any other governmental fund to retire that governmental fund's own long-term debt.
 - b. The district would determine how much money it needs to make all payments due on General Obligation bonds in the next budget year, including both principal and interest.
 - c. If the amount calculated in step b is smaller than the amount calculated in step a, the district would use the balance in the Debt Service Fund to pay the principal and interest and would not levy for debt service nor use SAVE revenues for this purpose.
 - d. If the amount calculated in step b is larger than the amount calculated in step a, the district would use the balance in the Debt Service Fund first to reduce the debt service levy. Then the district would use as much of the SAVE revenues calculated in step 1 as necessary to continue reducing the debt service levy until there is no levy remaining or until all SAVE funds are obligated for this purpose. The district would levy in debt service for the amount that step b exceeds the combined amounts in step a and step 1, without regard to any potential or anticipated new revenues to be received

- into either the Debt Service Fund (other than property tax levy) or the SAVE Capital Projects Fund. If all SAVE proceeds are used at this point, no further tax reduction is required.
3. REGULAR PPEL. If SAVE proceeds remain in excess of those needed to reduce all debt service levy for the budget year, then the district would look at its regular PPEL levy.
 - a. The district would determine the dollar amount the regular PPEL would generate (33 cents per thousand dollars of net taxable valuation plus TIF valuation).
 - b. The district would reduce its asking for regular PPEL, dollar for dollar, until all regular PPEL levy is reduced or until all remaining SAVE proceeds on hand have been used.
 - c. If all SAVE revenues are used at this point, no further tax reduction is required, and the district would levy for the balance of the unreduced regular PPEL.
 4. VOTER-APPROVED PPEL. If SAVE proceeds remain in excess of those needed to reduce all debt service levy and regular PPEL for the budget year, the district would look at its voter-approved PPEL.
 - a. The district would determine the dollar amount the voter-approved PPEL would generate, from both the property tax and income surtax portions, for the budget year.
 - b. The district would reduce its asking for voter-approved PPEL, dollar for dollar, until all voter-approved PPEL levy and surtax is reduced, or until all remaining SAVE proceeds on hand have been used.
 - c. If the SAVE proceeds are less than what would be generated from the voter-approved PPEL program (levy and surtax) then the district would reduce the PPEL levy and the PPEL surtax by the same percentage reduction, so the reductions are proportionate to what they would have been, had there been no reduction. However, the income surtax must be imposed in whole percentage points and cannot be imposed in the absence of a property tax levy. So, after calculating the reduction due to income surtax, the reduction will be rounded to achieve the nearest whole percent and the remaining reduced from the property tax levy. If all SAVE proceeds are used at this point, no further tax reduction is required, and the district would levy for the balance of unreduced voter-approved PPEL.
 5. PERL. If SAVE proceeds remain in excess of those needed to reduce all debt service levy, all regular PPEL, and all voter-approved PPEL tax and income surtax for the budget year, the district would look at its PERL, if any.
 - a. The district would determine the dollar amount the PERL would generate.
 - b. The district would reduce its asking for PERL, dollar for dollar, until all PERL levy is reduced or until all remaining SAVE proceeds on hand have been used.
 - c. If all SAVE proceeds are used at this point, no further tax reduction is required, and the district would levy for the balance of unreduced PERL.
 6. If SAVE proceeds remain in excess of those needed to reduce all debt service levy, all regular PPEL, all voter-approved PPEL, and all PERL, the district may certify

expenditures from those SAVE proceeds remaining and on hand for any authorized school infrastructure purpose defined for the SAVE Capital Projects Fund.

Accounting and Auditing

Question: What fund will be used to account for the SAVE proceeds and school infrastructure expenditures?

Answer: The proceeds will be deposited into the SAVE Capital Projects Fund (33) and will be expended from that same fund.

Question: When a district reduces property taxes in PPEL, VPPEL, or PERL, does the district transfer the money from the SAVE Capital Project Fund to the fund reduced?

Answer: No. The expenditures, with the exception of debt service, are paid directly from the SAVE Capital Projects Fund and are not transferred. Expenditures for debt service are transferred to the Debt Service Fund when due.

Question: How can Revenue bond proceeds be used?

Answer: Revenue bond proceeds may be used only for school infrastructure purposes as defined by Iowa Code and included in the revenue purpose statement.

Question: May the district establish a sinking fund or a sinking account to accumulate money to retire Revenue bonds, and if so, in what fund?

Answer: A district may not establish a separate sinking fund but it may establish a sinking account if the bonding agreement requires one. The sinking account would be accounted for as a restricted fund balance (account 727) in the Debt Service Fund. The money is transferred to the Debt Service Fund from the SAVE Capital Projects Fund, generally on a monthly basis, to accumulate sufficient funds for the next principal and/or interest payment.

Question: May the district establish a Revenue bond reserve account if the bonding agreement requires one, and if so, in what fund?

Answer: Yes, a district may establish a Revenue bond reserve account if the bonding agreement requires one. The account would be accounted for as a restricted fund balance (account 726) in the SAVE Capital Projects Fund. The reserve account is transferred to the Debt Service Fund if the sinking account is insufficient to pay the principal and interest when due.

Question: Must information on the uses of SAVE be included in the annual audit?

Answer: Yes. The annual financial audit of the district shall include the amount received by the district during the fiscal year pursuant to Chapters 423E and 423F. In addition, the audit shall include the amount of bond levies, PPEL levy, and PERL levy reduced as a result of the SAVE proceeds. The amount of the reductions shall be stated in terms of dollars and cents per one thousand dollars of valuation and in total amount of property tax dollars. Also, the audit shall include an accounting of the amounts of

moneys received which were spent for school infrastructure purposes pursuant to Chapters 423E and 423F.

Uses of Funds

Question: Is the interest earned on SAVE proceeds limited to the same uses listed in the revenue purpose statement?

Answer: Yes. The interest is revenue to the SAVE Capital Projects Fund and is used for the same purposes as the SAVE proceeds.

Question: What is the definition of “school infrastructure” for purposes of SAVE?

Answer: For purposes of SAVE, school infrastructure means those activities for which a school district is authorized to contract indebtedness and issue General Obligation bonds under Iowa Code section 296.1, except those activities related to a teacher's or superintendent's home or homes. These activities include the construction, reconstruction, repair, demolition work, purchasing, or remodeling of schoolhouses, stadiums, gyms, fieldhouses, and bus garages and the procurement of school house construction sites and making of site improvements and those activities for which revenues under section 298.3 (PPEL) and 300.2 (PERL) may be spent. A school district that uses proceeds for school infrastructure shall comply with the state building code in the absence of a local building code. In addition, school infrastructure includes the payment or retirement of outstanding bonds previously issued (or subsequently issued) for school infrastructure purposes as defined here, and the payment or retirement of bonds issued under section 423E.5/423F.4. Uses of SAVE also include sharing of proceeds with other qualified governments and paying the district's share of a joint construction or lease project for a school facility used for contracted and concurrent enrollment classes from the community college, if the revenue purpose statement listed the sharing or the joint construction or lease project.

Question: Can the school district buy equipment with SAVE proceeds?

Answer: If allowed by the district's revenue purpose statement, the district could equip a new construction, a remodeling or repair project, or purchase equipment that is an integral part of real property. In addition, the district could purchase equipment that Iowa Code expressly authorizes from PPEL or PERL.

Question: Can a school district purchase supplies or services not related to school infrastructure from SAVE proceeds?

Answer: Only to the extent the expenditures were expressly stated in Iowa Code as allowable from PPEL or PERL funds. Otherwise, no.

Question: May a district use SAVE proceeds for demolition work?

Answer: Yes.

Certificate of Need

Question: How does the district receive a certificate of need from the Department of Education?

Answer: The district must complete an application form as developed by the Department of Education.

Question: Are all districts required to obtain a certificate of need prior to new construction?

Answer: No. Only those districts where the certified enrollment of the entire district is fewer than 250 students or the certified enrollment in high school is fewer than 100 students must obtain a certificate of need.

Question: If a district's total certified enrollment is fewer than 250 students, but its high school certified enrollment is more than 100 students, or if the total certified enrollment is more than 250 students, but high school certified enrollment is fewer than 100, does the certificate of need requirement still apply?

Answer: Yes. Iowa Code states if one condition or the other condition exists, a certificate of need is required.

Question: Is a certificate of need always required before a district can use SAVE proceeds for new construction?

Answer: No. A certificate of need is not required for repairing existing schoolhouses or school buildings, or for obtaining equipment, technology units, or student transportation equipment as provided in Iowa Code section 298.3, or for construction necessary for compliance with the federal Americans with Disabilities Act (ADA).

Question: Repairing is listed as an exclusion. What about remodeling and reconstruction of existing schoolhouses or purchases of, or additions to, existing schoolhouses?

Answer: The legislation specifically excluded repairing, but did not exclude remodeling, reconstruction, purchasing new schoolhouses or facilities, or additions to existing schoolhouses or facilities. Therefore, those projects would require a certificate of need.

Question: Would furnishing and equipping the new construction be a non-construction expenditure, therefore, not be included in the requirement to obtain a certificate of need?

Answer: No. The entire cost of a new construction project would include all costs of that construction project which are allowable expenditures from the SAVE proceeds. This includes furnishing and equipping the new construction.

Question: What criteria will the Department of Education consider for issuing or denying a certified of need?

Answer: Iowa Code section 423F.3(5) specifies the criteria the Department of Education must consider:

- a. Enrollment trends in grades that will be served at the new construction site.
- b. The infeasibility of remodeling, reconstructing, or repairing existing buildings.
- c. The fire and health safety needs of the school district.

- d. The distance, convenience, cost of transportation, and accessibility of the new construction site to the students to be served at the new construction site.
- e. Availability of alternative, less costly, or more effective means of serving the needs of students.
- f. The financial condition of the district, including the effect of the decline of the budget guarantee and unspent balance.
- g. Broad and long-term ability of the district to support the facility and the quality of the academic program.
- h. Cooperation with other educational entities including other school districts, AEAs, community colleges or other postsecondary institutions, and local communities.

Reorganization and Dissolution

Question: If districts reorganize, but have different revenue purpose statements, which revenue purpose statement will apply to the newly reorganized district?

Answer: The revenue purpose statement to apply to the newly reorganized district should be addressed in the reorganization plan, or the newly reorganized district should hold a revenue purpose statement election.

Question: If a district with a revenue purpose statement dissolves and is attached to one or more other districts, which revenue purpose statement applies?

Answer: SAVE proceeds and balances from the former territory will be expended according to the revenue purpose statement of the district to which the territory is attached. The district to which the territory is attached may hold an election to change its revenue purpose statement.

Question: If one or more of the reorganizing school districts had outstanding Revenue bonds at the date of reorganization, how will the outstanding debt be handled?

Answer: The Revenue bonds are a contractual obligation of the school district and the resolution issuing the bonds and pledging SAVE proceeds to the payment of principal and interest on the bonds is a part of the contract. As a contractual obligation, the outstanding bonds are liabilities to be distributed pursuant to Iowa Code section 275.29 as part of the reorganization.

Question: Because SAVE proceeds are distributed based on certified enrollment, is there a suggested distribution method of the outstanding debt obligation if territory is attached to a district which is not a party to the reorganization?

Answer: It is suggested the debt obligation be distributed to all territory having certified enrollment attached to it. So, it is possible a district which is not a party to the reorganization, but is receiving territory, could be responsible for a portion of the outstanding Revenue bonds in the same proportionate share as it received certified enrollment (budget enrollment numbers) with the territory.

As a practical matter, only the newly reorganization district will be responsible for the debt to the bond holders. The district which has a proportionate share of the revenue

bond liability, but is not a party to the reorganization, could pay at the time of the reorganization from its own SAVE proceeds or balance to the newly reorganized district to satisfy its future obligations to repay the debt.

Question: If a district dissolves that had outstanding Revenue bonds at the date of dissolution, how will the outstanding debt be handled?

Answer: The Revenue bonds are a contractual obligation of the school district and the resolution issuing the bonds and pledging SAVE proceeds to the payment of principal and interest on the bonds is a part of the contract. As a contractual obligation, the outstanding bonds are liabilities to be distributed pursuant to Iowa Code section 275.29 as part of the reorganization. It is suggested the debt follow the territory attachments in the same proportion as the certified enrollment (budget enrollment numbers) are distributed to the receiving districts.

As a practical matter, only the district receiving the greatest portion of the certified enrollment will be responsible for the debt to the bond holders. The districts which do not receive the greatest portion of the certified enrollment could pay at the time of the dissolution from their own SAVE proceeds or balances to the district receiving the greatest portion of the certified enrollment to satisfy their future obligations to repay the debt.