



## Battle Over Control of School Infrastructure Funds Renewed: Iowans for Tax Relief Works to Save Your Right to Vote!

### **HF 2066 TAKES AWAY YOUR RIGHT TO VOTE, RAISES TAXES BY \$120 MILLION, AND WILL EVENTUALLY LEAD TO BIG PROPERTY TAX INCREASES:**

Yesterday, 14 members of the Iowa House introduced House File 2066, a bill that would replace the current local option tax for school infrastructure (SILO) with an additional penny of statewide sales and use tax (each additional penny of sales and use tax raises about \$400 million).

Voters in all 99 Iowa counties have adopted the SILO and are collecting the tax. HF 2066 would eliminate local voters from the approval process and make the tax a permanent statewide penny. In addition, HF 2066 increases the state use tax by a penny (the use tax is exempt from the current SILO) and that will result in a tax increase of about \$120 million beyond the current tax.

**Iowans for Tax Relief strongly OPPOSES HF 2066.**

#### **WHY WE OPPOSE HF 2066**

**1. VOTER APPROVAL IS ESSENTIAL FOR ACCOUNTABILITY:** Local voters have always been involved in the tax and spending decisions related to providing school infrastructure.

Prior to the SILO, the primary mechanism for funding new school buildings was through general obligation bonds and a 60% vote of the people was required to approve the sale of those bonds.

The vote to approve the SILO is a simple majority, but if this legislation passes, the people will be removed from this process in any meaningful way.

It is the vote of the people, and the direct accountability this vote demands, that ensures the money is spent as promised.

**Removing the people from this equation is a serious mistake.**

**2. HISTORY PROVES WE CANNOT PROTECT THESE FUNDS:** Replacement of the SILO with a permanent statewide sales tax **will result in school districts receiving less and less money** than if the current law were allowed to remain.

Once these dollars become the property of state government for redistribution to local school districts, the demand to divert these dollars to other spending priorities will be extreme—**and they will be successful.**

In a Des Moines Register article dated January 10, 2008 it said: **“Leaders of the Iowa State Education Association, the state’s largest teachers union, have said that if the tax goes statewide, half the money should go to the state’s general fund for things like educational programs and teacher pay.”** And while the ISEA might not win the argument this year, history proves they will win in the end and these dollars will be diverted from school infrastructure spending to other state general fund purposes.

You simply cannot build a lock box strong enough or a fence high enough around these dollars. One simple word in a bill, **notwithstanding**, is the key to unlock the door or open any fence to access these dollars.

Only an amendment to the Iowa Constitution, similar to the language that protects dollars designated for Iowa’s road system, is strong enough to provide permanent protection and supporters of this legislation have been unwilling to make it a condition to the passage of HF 2066.

## WHY WE OPPOSE HF 2066, continued...

And once the diversions start, they will continue to come in ever increasing amounts. What starts as a trickle will soon become a river that will erode away the commitment to use these funds for school infrastructure.

This was true of the lottery fund, the tobacco fund, and the senior living trust fund. History tells us the school fund will be no different.

**The painful truth is this, if you want the dollars generated by the SILO to continue to be used 100% for the dual purposes of school infrastructure and local property tax relief you must OPPOSE any attempt to bring these dollars under the permanent umbrella of state government through a statewide sales tax.**

**3. PASSAGE WILL MEAN FUTURE PROPERTY TAX INCREASES:** The SILO has either replaced or greatly reduced the need for additional general obligation bonds in many school districts across the state. In addition, in order to secure voter approval, school districts have applied some portion of SILO proceeds to reduce existing property tax levies. The result for local taxpayers has been some property tax relief.

Since voters no longer would have a voice in approving the tax, local boards would have less incentive to include property tax relief in the mix for using the funds. In fact, the bill only gives local voters a say in the distribution of the funds if they collect signatures and demand a vote through a reverse referendum.

And while HF 2066 does attempt to provide some immediate property tax relief through the school foundation formula, a significant state raid on the school infrastructure fund will quickly end this relief and force school districts to use property tax dollars to pay for some portion of their infrastructure needs.

HF 2066 allows school districts to borrow money in anticipation of receiving the state infrastructure funds. If a district borrows money based on the assumption they will receive \$600 per pupil and a state raid on the infrastructure fund reduces the state subsidy to \$400 per pupil, **the balance of that cost will fall squarely on the backs of local property taxpayers.**

**4. THIS IS A MAJOR TAX INCREASE:** The current SILO does not apply to use tax. The proposed legislation to make this a statewide tax includes applying the additional penny to use tax as well. The result of this decision is a bill that increases state taxes by about \$120 million.

This bill is not simply about replacing an existing local tax with a permanent statewide tax, **it IS a huge tax increase on Iowans and Iowans for Tax Relief STRONGLY opposes this additional tax burden.**

A vote for this bill is a vote to raise taxes, plain and simple.

## CONCLUSION

This issue has been presented to you as a simple method to take what is already occurring in Iowa (with all 99 counties participating) and simplifying the process by making it a permanent statewide tax. Nothing could be further from the truth.

The one critical factor that makes the current law work, to ensure the dollars are used properly, and creates a tight bond of accountability between taxpayers and their local school boards, is the requirement of local voter approval. **If you remove the people from the decision on whether or not to impose the tax, you eventually lose everything.**

Watch your mail box in the next month for our Tax Action Alert on this issue and learn how you can help us defeat this misguided legislation.

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The Watchdog is a weekly update of issues which are being considered by the Iowa Legislature. It is a service to members of Iowans for Tax Relief. Permission is granted to forward this to any interested individuals.

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