

**Proposed University Heights Urban Renewal Area  
Tax Increment Financing Impact on ICCSD  
June 29, 2015 Meeting**

The Iowa City Community School District (ICCSD) serves students and families in five separate municipal jurisdictions including the City of University Heights. ICCSD is one of seven taxing jurisdictions and receives approximately 36% of the taxes paid through a typical residential tax bill. At the time of publication, assessment appeals may alter these totals, the ICCSD taxable valuation with gas and electric utilities included equals \$5,600,477,037 of which \$486,930,987 was in the form of Tax Increment Finance valuation (TIF). The total ICCSD tax rate for FY2016 is estimated to be \$13.87 per \$1,000 taxable valuation.

Determining the financial impact of this proposed urban renewal area in the school district requires the differentiation of revenue sources within the district tax asking. Below is a summary of this impact. In all cases the impact depends on whether the TIF forgone property value is taxed for school purposes or not.

General Fund \$10.94 of the \$13.87 total school levy

- Key concept: Iowa schools, including ICCSD, are not property tax rate regulated (limited) as are cities and counties. There is no monetary impact to ICCSD only a tax shift to the taxpayers outside of the TIF.
- There are three components that make up the revenue per student under the school aid formula:
  - Uniform levy currently at \$5.40 / \$1,000.
  - State Foundation aid up to 87.5% of revenue per student.
  - Additional Levy which floats to accommodate amount needed to fund 100% of revenue.
- The State of Iowa makes up a portion of the forgone property value (resulting from TIF) under the state Foundation Formula. The Additional Property Tax Levy goes up to offset the remainder. So, state aid goes up to offset what is not being produced by part of the valuation and the taxpayers of the district pick up the remainder. In short, the impact is split between the State of Iowa and property taxpayers of the school district in the form of higher state aid and higher property tax rates.
- If the entire TIF valuation we removed and the tax levied on this property the general fund component of the district tax rate would decrease by \$0.53 / \$1,000 taxable valuation.

Instructional Support Levy (ISL) \$0.09 of the \$13.87 total school levy

- Beginning July 2013, Iowa legislation exempted ISL from TIF which means the ISL tax rate will go down. ICCSD uses primarily income surtax to fund this levy. The TIF increment may be used by the city to pay off bond debt incurred in forming the TIF. If this is done these funds are reduced from the amount levied by the district and ICCSD our received less cash. Currently there is no momentary impact to ICCSD.

Non-General Fund Levies

Management Levy: \$0.59 of the \$13.87 total school levy

- Property tax rates increase to replace the budget funds the district requires as TIF valuations increase so there is no monetary impact to ICCSD

Physical Plant and Equipment Levy (PPEL): \$1.67 of the \$13.87 total school levy

- Valuation is exempt from TIF for PPEL purposes so there is no impact to ICCSD.

Debt Service Levy: \$0.58 of the \$13.87 total school levy

- Valuation is exempt from TIF for Debt Service (bond issue) purposes so there is no impact to ICCSD

Public Education and Recreation Levy (PERL): \$0.00 of the \$13.87 total school levy

- Since the levy is capped at \$0.135 per thousand, any forgone valuation will reduce the amount of funds available to the school district. ICCSD currently does not have this levy in place.

**Impact Summary Chart:**

	Impact Tax Rates?	Impact Budget?
General Fund		
Additional Levy Rate	Yes	No
Cash Reserve Levy	Yes	No
Instructional Support Levy	No*	Yes*
Management Levy	Yes	No
Public Education and Recreation Levy	No	Yes
Physical Plant and Equipment Levy	No	No
Debt Service Levy	No	No

\*Depends on city bond debt and action to reserve these funds for that purpose.

**Summary statement**

In summary, TIF has little to no negative impact on the ICCSD budget or spending authority that funds the instructional program for students. The Iowa school aid formula allows the general fund tax rate to increase in order to compensate for the loss of any TIF valuation. District patrons are individually paying a higher overall district tax rate as a result of collective TIF use by the municipalities. Any entity considering the future use of TIF or expanding an existing TIF area should give this fact due consideration.

Prepared by: Craig Hansel, CFO Iowa City Community School District

6/24/2015