

FEB 6 2001
EDUCATION

HOUSE FILE 186
BY WISE

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act establishing a school bond credit enhancement program.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 186

1 Section 1. NEW SECTION. 76.19 STATE SCHOOL BOND CREDIT
2 ENHANCEMENT PROGRAM.

3 If a school district that has issued bonds pursuant to
4 chapter 296 or section 298.20 or has entered into a loan
5 agreement pursuant to section 297.36 fails to pay principal or
6 interest on its bonds or loan agreements when due, upon
7 certification by the trustee or paying agent designated
8 pursuant to section 76.10 to the director of revenue and
9 finance, the director shall withhold and directly apply, from
10 any state appropriation to which the school district is
11 entitled, so much as is certified by the trustee or paying
12 agent, to the payment of the principal or interest on the
13 bonds or loan agreement of the school district then due. The
14 obligation of the director to withhold and directly apply
15 moneys from any state appropriation to which a school district
16 is entitled does not create any legal obligation of the state
17 to pay, when due, the principal or interest on the bonds or
18 loan agreements of the school district. All state
19 appropriations made to a school district shall be subject to
20 this section.

21 Sec. 2. Section 257.16, Code 2001, is amended to read as
22 follows:

23 257.16 APPROPRIATIONS.

24 There is appropriated each year from the general fund of
25 the state an amount necessary to pay the foundation aid and
26 supplementary aid under section 257.4, subsection 2.

27 All state aids paid under this chapter, unless otherwise
28 stated, shall be paid in monthly installments beginning on
29 ~~September~~ July 15 of a budget year and ending on or about June
30 15 of the budget year as determined by the department of
31 management, taking into consideration the relative budget and
32 cash position of the state resources.

33 All moneys received by a school district from the state
34 under this chapter shall be deposited in the general fund of
35 the school district, and may be used for any school general

1 fund purpose, subject to the limitation provided in section
2 76.19 relating to use of moneys appropriated for the payment
3 of the principal or interest of school district bonds or loan
4 agreements in the event a school district fails to pay
5 principal or interest on such obligations when due. The
6 school district shall pay to the general fund of the school
7 district an amount equal to the amount of any moneys so
8 applied upon receipt of moneys derived from the levy
9 authorized pursuant to section 76.2.

10 Sec. 3. Section 298.10, Code 2001, is amended to read as
11 follows:

12 298.10 LEVY FOR CASH RESERVE.

13 The board of directors of a school district ~~may~~ shall
14 certify for levy by April 15 of a school year, a tax on all
15 taxable property in the school district in order to raise an
16 amount ~~for-a~~ necessary to maintain a cash reserve for a school
17 district's general fund as provided in section 298A.2A. The
18 amount raised for a necessary cash reserve does not increase a
19 school district's authorized expenditures as defined in
20 section 257.7.

21 Sec. 4. Section 298A.2, Code 2001, is amended to read as
22 follows:

23 298A.2 GENERAL FUND.

24 All moneys received by a school corporation from taxes and
25 other sources must be accounted for in the general fund,
26 except moneys required by law to be accounted for in another
27 fund. A cash reserve fund shall be maintained in the general
28 fund pursuant to section 298A.2A.

29 Sec. 5. NEW SECTION. 298A.2A CASH RESERVE FUND.

30 1. A cash reserve fund shall be established in the general
31 fund. Moneys contained within the cash reserve fund shall not
32 be transferred, used, obligated, appropriated, or otherwise
33 encumbered except as provided in this section. Interest or
34 earnings on moneys deposited in the cash reserve fund shall be
35 credited to the general fund. Moneys in the cash reserve fund

1 may be allocated to pay legal obligations of the general fund
2 when due, when sufficient funds from another source are not
3 available, but an amount equal to the amount allocated, with
4 the exception of allocations for nonrecurring emergency
5 expenditures pursuant to subsection 3, shall be returned to
6 the cash reserve fund by the end of each fiscal year.

7 2. The budgeted minimum balance maintained in the cash
8 reserve fund shall be equal to at least ten percent of a
9 school district's authorized budget for the current fiscal
10 year. Of this amount, a minimum of five percent of the cash
11 reserve fund balance shall be designated for cash flow
12 purposes. A school district may designate up to five percent
13 of the cash reserve fund balance for nonrecurring emergency
14 expenditures.

15 3. The moneys in the cash reserve fund designated for
16 nonrecurring emergency expenditures shall not be expended for
17 the payment of any recurring expenditure or collective
18 bargaining agreement or arbitrator's decision negotiated or
19 awarded pursuant to chapter 20.

20 4. The requirement in subsection 2 relating to maintaining
21 a ten percent cash reserve fund balance may be implemented or
22 phased in over a period of time commencing on, and expiring no
23 later than, three years from the effective date of this Act.

24 EXPLANATION

25 This bill provides for the establishment of a school bond
26 credit enhancement program for school district general
27 obligation bonds or loan agreements. The bill provides that
28 if a school district which has issued bonds pursuant to Code
29 chapter 296 or Code section 298.20 or has entered into a loan
30 agreement pursuant to Code section 297.36 fails to pay
31 principal or interest when due, upon certification by the
32 trustee or paying agent designated pursuant to Code section
33 76.10 to the director of revenue and finance, the director
34 will withhold and apply from any state appropriation to which
35 the school district is entitled, the amount certified to the

1 trustee or paying agent to the payment of the principal or
2 interest on the bonds or loan agreement of the school district
3 then due. The bill provides that the obligation of the
4 director to withhold and directly apply moneys does not create
5 any legal obligation of the state to pay the principal or
6 interest. The bill provides that all state appropriations
7 made to a school district shall be subject to these
8 provisions.

9 The bill also provides that state aid payments will be
10 payable in monthly installments beginning on July 15 of a
11 school budget year, rather than the September 15 starting date
12 provided for in Code section 257.16, and provides that moneys
13 received by a school district from the state pursuant to Code
14 chapter 257 and deposited in the general fund of the school
15 district will be subject to the withholding and payment
16 provisions by the director of revenue and finance, with the
17 school district obligated to repay the general fund for any
18 moneys so applied upon receipt of moneys derived from the levy
19 authorized pursuant to Code section 76.2.

20 The bill additionally provides that Code section 298.10
21 relating to authorization of a school district board of
22 directors to levy a tax on all taxable property in the school
23 district in order to maintain a cash reserve for a school
24 district's general fund will be required, rather than remain
25 optional, and that interest or earnings on moneys deposited in
26 the cash reserve fund will be credited to the general fund.
27 The bill provides that moneys in the cash reserve fund may be
28 used to pay legal obligations of the general fund when due
29 when sufficient funds from another source are not available.
30 The bill provides that an amount equal to the amount so
31 allocated, with the exception of allocations for nonrecurring
32 emergency expenditures, shall be returned to the cash reserve
33 fund by the end of each fiscal year. The bill provides that
34 the budgeted minimum balance maintained in the cash reserve
35 fund will be equal to at least 10 percent of a school

1 district's authorized budget, and that of this amount, a
2 minimum of 5 percent of the cash reserve fund balance shall be
3 designated for cash flow purposes. The bill further provides
4 that a school district may designate up to 5 percent of the
5 cash reserve fund balance for nonrecurring emergency
6 expenditures, and that moneys in the cash reserve fund shall
7 not be expended for the payment of any recurring expenditure
8 or collective bargaining agreement or arbitrator's decision
9 negotiated or awarded pursuant to Code chapter 20.

10 The bill additionally provides that the requirement
11 relating to maintaining a 10 percent balance in the cash
12 reserve fund may be implemented or phased in over a three-year
13 period beginning on the effective date of the bill.

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