

CHAPTER 93

REORGANIZATION OR DISSOLUTION OF SCHOOL DISTRICTS — DIVISION OF ASSETS AND LIABILITIES

H.F. 599

AN ACT relating to the division of assets and liabilities of school districts involved in a reorganization or dissolution and including applicability provisions.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 275.12, Code 2015, is amended by adding the following new subsection:

NEW SUBSECTION. 4A. *a.* The area education agency board in reviewing a petition as provided in sections 275.15 and 275.16 that is not subject to the division of assets and liabilities provisions in sections 275.29 through 275.31 shall review the proposal for dividing liability for payment of outstanding bonds issued under section 423E.5 or 423F.4, required to be included under section 275.28, and may change or amend the proposal in any manner, including to specify a different division for the reorganized districts or a different method of payment or retirement of the bonds as may be required by law, justice, equity, and the interest of the people. The review conducted by the area education agency, including any resulting change to the proposal, shall ensure that the reorganized district's estimated revenue under section 423F.2 is sufficient for the payment of principal and interest on the outstanding bonds required to be paid in the budget year following the reorganization.

b. For bonds issued under section 423E.5 or 423F.4, the approval of the reorganization at election creates a lien on the revenues from the secure an advanced vision for education fund received by the reorganized district designated in the proposal approved by the area education agency, subject to the same priority as provided by the affected school district that issued the bonds.

Sec. 2. Section 275.28, Code 2015, is amended to read as follows:

275.28 Plan of division of assets and liabilities.

In addition to setting up the territory to comprise the reorganized districts, a reorganization petition ~~may shall~~ provide for a division of assets and liabilities of the ~~old districts between affected among the~~ reorganized districts. ~~If no provision is made in the petition for division of assets and liabilities, or if~~ However, if territory is excluded from the reorganized district by the petition or by the area education agency board of directors, the division of all assets and liabilities shall be made under the provisions of sections 275.29 to 275.31.

Sec. 3. Section 275.29, Code 2015, is amended to read as follows:

275.29 Division of assets and liabilities after reorganization.

1. ~~Between July 1 and July 20, or on a date determined by agreement of the initial board and the boards of districts receiving territory of the school districts affected, but not later than August 30, the initial board of directors of the newly formed school district shall meet with the boards of the school districts affected by the organization of the new school corporation, including the boards of districts receiving territory of the school districts affected, for the purpose of reaching joint agreement on an equitable division of the assets of the several school corporations or parts of school corporations and an equitable distribution of the liabilities of the school districts affected corporations or parts of corporations. In addition, if outstanding bonds are general obligation indebtedness is in existence in any district, the initial board of directors of the newly formed school district shall meet with the boards of all school districts affected prior to April 15 prior to the school year the reorganization is effective to determine the distribution of liability for payment of the general obligation bonded indebtedness between the districts so that the newly formed district may certify its budget under the procedures specified in chapter 24. The boards shall consider the mandatory levy required in section 76.2 and shall assure the satisfaction of outstanding obligations of each affected school corporation. If the petition includes plans for the distribution of the bonded indebtedness, the exclusion of territory from the~~

~~reorganized district does not require action pursuant to this section.~~ If a school district affected by the reorganization has outstanding bonds issued under [section 423E.5](#) or [423F.4](#), the joint agreement shall assure that the estimated revenue under [section 423F.2](#) for each district to which liability for payment of such bonds is assigned is sufficient for the payment of principal and interest on the outstanding bonds required to be paid in the budget year following reorganization.

2. For bonds issued under [section 423E.5](#) or [423F.4](#), the approval of the joint agreement creates a lien on the revenues from the secure an advanced vision for education fund received by the school district to which liability is assigned, subject to the same priority as provided by the affected school district that issued the bonds.

Sec. 4. Section 275.30, Code 2015, is amended to read as follows:

275.30 Arbitration.

1. If the boards cannot agree on such division and distribution, the matters on which they differ shall be decided by disinterested arbitrators, one selected by the initial board of directors of the newly formed district, ~~one by each of the boards of directors of the school districts affected,~~ and one selected jointly by the boards of directors of contiguous districts receiving territory of the school ~~district~~ districts affected. ~~If the number of arbitrators selected is even, a disinterested arbitrator shall be added,~~ and one selected by the area education agency administrator.

2. The decision of the arbitrators shall be made in writing and filed with the secretary of the new corporation, and a party to the proceedings may appeal the decision to the district court by serving notice on the secretary of the new corporation within twenty days after the decision is filed. The appeal shall be tried in equity and a decree entered determining the entire matter, including the levy, collection, and distribution of any necessary taxes.

3. *a.* If a school district affected by the reorganization has outstanding bonds issued under [section 423E.5](#) or [423F.4](#), the arbitrators' decision and any decision of the court on appeal shall assure that the estimated revenue under [section 423F.2](#) for each district to which liability for payment of such bonds is assigned is sufficient for the payment of principal and interest on the outstanding bonds required to be paid in the budget year following reorganization.

b. The issuance of the arbitrators' decision or court decision on appeal creates a lien on the revenues from the secure an advanced vision for education fund received by the district to which the liability for payment of the bonds were assigned, subject to the same priority as provided by the affected school district that issued the bonds.

Sec. 5. Section 275.53, subsection 1, Code 2015, is amended to read as follows:

1. The commission shall send a copy of its dissolution proposal or shall inform the board that it cannot agree upon a dissolution proposal not later than one year following the date of the organizational meeting of the commission. If the dissolving school district has outstanding bonds issued under [section 423E.5](#) or [423F.4](#), the proposal shall require each school district receiving territory from the dissolving district to assume liability for the payment of a portion of such bonds that is equal to the percentage of the total number of resident pupils from the dissolving district who lived in the territory received during the last year of the dissolving district's existence. The commission shall also send a copy of the dissolution proposal to the boards of directors of all school districts to which area of the affected dissolving school district will be attached. If the board of a district to which area of the affected dissolving school district will be attached objects to the attachment, within ten days following receipt of the dissolution proposal the board shall send its objections in writing to the commission. The commission may consider the objections and may modify the dissolution proposal. If the dissolution proposal is modified, the commission shall notify the boards of directors of all school districts to which area of the affected dissolving school district will be attached.

Sec. 6. Section 275.54, subsection 4, Code 2015, is amended to read as follows:

4. *a.* If the board of a district to which area of the affected dissolving school district will be attached objects to the division of assets and liabilities contained in the dissolution proposal, the matter shall be decided by a panel of disinterested arbitrators. The panel shall consist of

one arbitrator selected ~~jointly by each affected district districts~~ objecting to the provisions of the dissolution proposal, one selected jointly by each the affected district districts in favor of the provisions of the dissolution proposal, and one selected by ~~each the dissolving district~~. If the number of arbitrators selected is even, a disinterested arbitrator shall be selected by the administrator of the area education agency to which the dissolving district ~~or districts belong belongs~~. The decision of the arbitrators shall be made in writing and filed with the secretary of ~~the new corporation each affected school district~~. A party to the proceedings may appeal the decision to the district court by serving notice on the secretary of ~~the new school corporation each affected school district~~ within twenty days after the decision is filed. The appeal shall be tried in equity and a decree entered determining the entire matter, including the levy, collection, and distribution of any necessary taxes.

b. If the dissolving district has outstanding bonds issued under [section 423E.5](#) or [423F.4](#), the arbitrators' decision and any decision of the court on appeal shall require each school district receiving territory from the dissolving district to assume liability for the payment of a portion of such bonds that is equal to the percentage of the total number of resident pupils from the dissolving district who lived in the territory received during the last year of the dissolving district's existence.

Sec. 7. Section 275.55, Code 2015, is amended by adding the following new subsection:

NEW SUBSECTION. 5. For bonds issued under [section 423E.5](#) or [423F.4](#), the approval of the dissolution at election creates a lien on the revenues from the secure an advanced vision for education fund received by the district to which liability for payment of a portion of such bonds, subject to the same priority as provided by the dissolving school district. However, such a lien is limited to the extent required to satisfy payments for the portion of the liability assigned to the district.

Sec. 8. **APPLICABILITY.** This Act applies to reorganization petitions and dissolution proposals filed under chapter 275 on or after July 1, 2015.

Approved May 1, 2015