

Kramer  
Redwine  
Soukup

SSB-1098  
Education  
Succeeded By  
SF/HF 240

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
EDUCATION BILL BY  
CHAIRPERSON BOETTGER)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act providing for a school investment partnership pilot  
2 program.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 256.24 SCHOOL INVESTMENT  
2 PARTNERSHIPS -- PILOT PROGRAM.

3 The department of education shall establish a school  
4 investment partnership pilot program to evaluate the  
5 effectiveness of private participation in the funding and  
6 management of school infrastructure and nonacademic services.  
7 The program is intended to shift the responsibility for the  
8 operation and financing of school facility construction and  
9 maintenance to the private sector, thereby facilitating the  
10 focus of public school system resources on enhancing the  
11 educational experience of the schoolchildren of Iowa. The  
12 pilot program shall involve six pilot projects, to be  
13 conducted as follows:

14 1. Each project shall pair one or more private investors  
15 and one or more school districts in a partnership involving  
16 the shared utilization of school facilities. Private  
17 investors shall finance the construction of school facilities,  
18 based on school district specifications, and commit to the  
19 completion of a fully operational school facility, complete  
20 with all classroom furnishings and school facility equipment,  
21 by a mutually agreed-upon date.

22 2. All projects shall, where applicable, conform to the  
23 provisions of chapter 73A as if the school facility  
24 constructed were a public improvement and as if the private  
25 investors financing the school facility construction were a  
26 school corporation.

27 3. The private investor shall lease the facility back to  
28 the school district at monthly payment levels below the  
29 anticipated cost to the school district had it incurred the  
30 school facility construction expenses directly, pursuant to a  
31 lease agreement negotiated at the same time that the agreement  
32 regarding construction of the school facility is entered into.  
33 A lease agreement shall typically extend for a twenty-year  
34 duration, with the option to continue the lease at the end of  
35 the lease period, and also to permit the purchase of the

1 school facility by the school district at the conclusion of  
2 the lease period at an agreed-upon price. Monthly lease  
3 payments shall not exceed the present value of an amount  
4 equivalent to eighty-five percent of the anticipated final  
5 fair market value of the facility at the conclusion of the  
6 initial lease term.

7 4. The school district shall retain control over all  
8 decisions related to the education of students within the  
9 school facility, including the determination of when the  
10 facility shall and shall not be utilized by the school  
11 district, the uses to which the facility shall be put during  
12 periods when school is in session, and access to the facility  
13 for after-hours athletic practices, extracurricular  
14 activities, staff, parent, and teacher meetings, and other  
15 school-related events.

16 5. All costs relating to maintenance of the school  
17 facility and ongoing furnishings and equipment replacement  
18 shall be the responsibility of the private investor, along  
19 with all tax benefits and liabilities relating to the  
20 construction and maintenance of the facility.

21 6. The private investor shall retain the right to contract  
22 with third parties for use of the school facility during  
23 periods when the facility is not being utilized by the school  
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25 district shall be specified in the lease agreement, together  
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32 building in the same condition during and after use by a third  
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34 of utilization by the school district. Possible third party  
35 contractors could include, but are not limited to, educational

1 enrichment organizations, civic groups, day care facilities,  
2 religious organizations, community colleges, and governmental  
3 units.

4 7. School districts may submit an application for  
5 consideration for the pilot program to the department of  
6 education by September 1, 2002. The department shall select a  
7 total of six public schools, three located in large school  
8 districts and three located in small school districts, to  
9 participate in the pilot program. For purposes of this  
10 section, a large school district is a district with an actual  
11 enrollment of five thousand or more pupils, and a small school  
12 district is a district with an actual enrollment of under two  
13 thousand pupils. The department shall notify all applicant  
14 school districts of the selected applicants within thirty days  
15 after application submission. An application may be  
16 considered which would involve a collaborative association of  
17 more than one public school in a school district, or more than  
18 one school district applying for the construction of a  
19 regional facility if the actual enrollment of the combined  
20 school districts falls within the definition of a large or a  
21 small school district pursuant to this section.

22 8. The department shall coordinate the establishment of  
23 each pilot program, including the development of criteria to  
24 be included in a request for proposals for the selection of  
25 one or more private investors for the program, the selection  
26 of private investors from among the proposals submitted, the  
27 development of school facility construction plans and  
28 specifications by the school district, the provision of a  
29 dispute resolution process, and oversight with regard to  
30 potential third-party contractual uses for the facility and  
31 the terms of lease and lease-purchase agreements entered into  
32 between the school district and one or more private investors.  
33 The department shall prepare and submit an annual report to  
34 the general assembly each year for a five-year period, by  
35 January 1, regarding the status of each pilot project. The

1 report shall include detailed information regarding perceived  
2 advantages and disadvantages of the program, input from school  
3 district personnel, students, and parents associated with  
4 schools constructed pursuant to the program, and private  
5 investors constructing and maintaining the school facility.

6 EXPLANATION

7 This bill provides for the establishment of a school  
8 investment partnership pilot program to evaluate the  
9 effectiveness of private participation in the funding and  
10 management of school infrastructure and nonacademic services.  
11 The bill provides that the purpose of the program is to shift  
12 responsibility for the operation and financing of school  
13 facility construction and maintenance to one or more private  
14 investors, thereby facilitating the focus of public school  
15 system resources on enhancing the educational experience of  
16 the schoolchildren of Iowa.

17 The bill provides that each pilot project shall pair one or  
18 more private investors with one or more school districts in a  
19 partnership involving the shared utilization of school  
20 facilities. Private investors shall finance the construction  
21 and furnishing of school facilities based on school district  
22 specifications, complete with all classroom furnishings and  
23 equipment, and lease the facility back to the school district  
24 at monthly payment levels below the anticipated cost to the  
25 school district had it incurred the school facility  
26 construction expenses directly. The bill provides that a  
27 lease agreement shall be entered into, typically extending for  
28 a 20-year duration, with the option to continue the lease at  
29 the end of the lease period, and to permit the purchase of the  
30 school facility by the school district at the conclusion of  
31 the lease period at an agreed-upon price.

32 The bill provides that all pilot projects shall, where  
33 applicable, conform to the provisions of Code chapter 73A as  
34 if the school facility constructed were a public improvement  
35 and the private investors were a school corporation. Code

1 chapter 73A contains public notice, opportunity for hearing,  
2 and appeal provisions regarding contracts for public  
3 improvements costing at least \$25,000.

4 The bill provides that the school district shall retain  
5 control over all decisions related to the education of  
6 students within the school facility, and that all costs and  
7 tax considerations relating to maintenance of the school  
8 facility shall be the responsibility of the private investor.  
9 The bill also provides that the private investor shall retain  
10 the right to contract with third parties for use of the school  
11 facility during periods when the facility is not being  
12 utilized by the school district, with the periods available  
13 for nonschool district use and the purposes to which the  
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20 condition during and after use by a third-party contractor as  
21 the facility is customarily maintained during periods of  
22 utilization by the school district. The bill provides  
23 examples of potential third-party contractors.

24 The bill additionally provides that school districts may  
25 submit an application for consideration for the pilot program  
26 to the department of education by September 1, 2002. The bill  
27 provides that the department shall select a total of six  
28 public schools, three located in large school districts and  
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H. 3/4/02 No Pass  
w/ 148164

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3/21/02 UNFINISHED BUSINESS CALENDAR

FILED FEB 20 '01

SENATE FILE 240  
BY COMMITTEE ON EDUCATION

(SUCCESSOR TO SSB 1098)

Passed Senate, (P. 711) Date 3/30/01 Passed House, Date \_\_\_\_\_  
Vote: Ayes 38 Nays 11 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act providing for a school investment partnership pilot  
2 program.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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**SENATE FILE 240**

**H-1437**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 2, line 15, by inserting after the word  
4 "events." the following: "The school district shall  
5 also retain control over the designation of a name for  
6 the school facility or any portion of the school  
7 facility, and over the display or distribution of any  
8 advertisement, announcement, or information within or  
9 on the grounds of the school facility."

By COMMITTEE ON EDUCATION  
GRUNDBERG of Polk, Chairperson

**H-1437 FILED APRIL 5, 2001**

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240

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**SENATE FILE 240**

**S-3186**

1 Amend Senate File 240 as follows:  
2 1. Page 3, by striking lines 7 through 13 and  
3 inserting the following: "total of six public  
4 schools, four located in school districts with an  
5 actual enrollment of one thousand pupils or less, and  
6 two located in school districts with an actual  
7 enrollment of over one thousand pupils. The  
8 department shall notify all applicant".

By MARY E. KRAMER  
NANCY BOETTGER

JOHN REDWINE  
BETTY A. SOUKOP

**S-3186 FILED MARCH 19, 2001**

*Adopted 3/20/01 (P. 711)*

**SENATE FILE 240**

**H-8164**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 1, by striking line 22, and inserting the  
4 following:  
5 "2. All construction work initiated under this  
6 program shall conform to the competitive bidding".  
7 2. Page 2, line 15, by inserting after the word  
8 "events." the following: "The school district shall  
9 also retain control over the designation of a name for  
10 the school facility or any portion of the school  
11 facility, and over the display or distribution of any  
12 advertisement, announcement, or information within or  
13 on the grounds of the school facility."

By COMMITTEE ON EDUCATION  
GRUNDBERG of Polk, Chairperson

**H-8164 FILED MARCH 4, 2002**



1 Section 1. NEW SECTION. 256.24 SCHOOL INVESTMENT  
2 PARTNERSHIPS -- PILOT PROGRAM.

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**SENATE FILE 240**

**H-1470**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 1, by striking line 22, and inserting the  
4 following:  
5 "2. All construction work initiated under this  
6 program shall conform to the competitive bidding".

By HANSEN of Pottawattamie  
PETERSEN of Polk

**H-1470 FILED APRIL 10, 2001**

**SENATE FILE 240**

**H-1488**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 3, by inserting after line 3 the  
4 following:  
5 "Sec. \_\_\_\_ . CONDITIONAL EFFECTIVENESS. This Act  
6 takes effect only if 2001 Iowa Acts, Senate File 476  
7 or House File 672 is enacted, and if the general  
8 assembly appropriates not less than \$40 million for  
9 the fiscal year beginning July 1, 2001, and ending  
10 June 30, 2002, for the purpose of funding the  
11 implementation of Senate File 476 or House File 672."  
12 2. Title page, line 2, by inserting after the  
13 word "program" the following: "and providing for  
14 conditional effectiveness".  
15 3. By renumbering as necessary.

By STEVENS of Dickinson

**H-1488 FILED APRIL 11, 2001**

**SENATE FILE 240  
FISCAL NOTE**

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A fiscal note for **Senate File 240** as passed by the Senate is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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Senate File 240 as passed by the Senate establishes a school investment partnership pilot program to evaluate the effectiveness of private participation in the funding and management of school infrastructure and nonacademic services. The Bill requires the Department of Education to administer the pilot program and to submit a detailed annual report to the General Assembly by January 1 of each year for a five-year period.

The Bill requires that each of the six pilots pair one or more private investors with one or more school districts. The private investors shall finance the construction of school facilities meeting school district specifications and lease the facilities back to the school districts. The Bill sets certain lease requirements and delineates the decision-making responsibilities and rights of the school districts and the private investors.

**ASSUMPTIONS**

1. The Bill will require a commitment of time from the Department of Education staff to develop rules and procedures. The amount of staff time required cannot be determined at this time.
2. There will be lease or lease-purchase costs to school districts involved in the partnerships. It is possible those costs will be minimal. Those costs cannot be estimated at this time.
3. School districts are not permitted to pay lease or lease-purchase costs from the General Fund. It is questionable whether a district could use the Physical Plant and Equipment Levy beyond a ten-year period to pay the costs of a 20-year lease. However, philanthropic private investors could keep the costs to school districts low enough to negate these concerns.

**FISCAL IMPACT**

The estimated fiscal impact of Senate File 240 as passed by the Senate cannot be quantified at this time, but is expected to be minimal, assuming philanthropic private investors participate in the pilot program.

**SOURCE**

Department of Education

(LSB 1840SV, RKM)

FILED APRIL 5, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR

**SENATE FILE 240****H-1528**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 2, line 21, by striking the words  
4 "private investor" and inserting the following:  
5 "school district".  
6 2. Page 2, by striking lines 27 through 31 and  
7 inserting the following: "contracting third parties.  
8 The private investor shall agree to maintain the".  
By BUKTA of Clinton

**H-1528** FILED APRIL 16, 2001**SENATE FILE 240****H-1537**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. By striking page 2, line 21 through page 3,  
4 line 3.  
5 2. Page 3, by striking line 27.  
6 3. By renumbering as necessary.  
By WITT of Black Hawk

**H-1537** FILED APRIL 16, 2001**SENATE FILE 240****H-1538**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 3, line 29, by inserting after the word  
4 "investors." the following: "The criteria developed  
5 to assist a school district in the selection of  
6 private investors from among the proposals submitted  
7 shall include the requirement that an open bidding  
8 process be utilized, whereby if equally qualified  
9 proposals are submitted a preference shall be awarded  
10 for private investors utilizing union employees and  
11 paying then-prevailing competitive wages."  
By T. TAYLOR of Linn

**H-1538** FILED APRIL 16, 2001

**SENATE FILE 240****H-1539**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 1, line 26, by inserting after the word  
4 "corporation." the following: "All projects shall  
5 also conform to state and local building codes  
6 generally and as specifically applicable to school  
7 buildings and facilities, including specifications  
8 regarding ensuring that buildings and facilities are  
9 accessible to and functional for persons with  
10 disabilities."

**By** T. TAYLOR of Linn

**H-1539** FILED APRIL 16, 2001

**SENATE FILE 240****H-1540**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 1, line 12, by striking the word "six"  
4 and inserting the following: "three".  
5 2. Page 3, by striking line 7 and inserting the  
6 following: "total of three public schools, two  
7 located in school districts".  
8 3. Page 3, line 9, by striking the word "two" and  
9 inserting the following: "one".

**By** SCHERRMAN of Dubuque

**H-1540** FILED APRIL 16, 2001

**SENATE FILE 240****H-1541**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 3, line 25, by inserting after the word  
4 "district" the following: "in consultation with  
5 teachers employed by the district and other school  
6 district employees".

**By** QUIRK of Chickasaw

**H-1541** FILED APRIL 16, 2001

**SENATE FILE 240****H-1542**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 4, line 1, by inserting after the word  
4 "program," the following: "community members and  
5 organizations which contracted for use of the facility  
6 during periods when the facility was not being  
7 utilized by the school district,".

**By** WARNSTADT of Woodbury

**H-1542** FILED APRIL 16, 2001

**SENATE FILE 240****H-1543**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:

3 1. Page 2, by striking lines 16 through 20, and  
4 inserting the following:

5 "5. All costs relating to ongoing furnishings and  
6 equipment replacement and all tax benefits and  
7 liabilities relating to the construction and ownership  
8 of the facility shall be the responsibility of the  
9 private investor. Maintenance costs shall be the  
10 responsibility of the school district."

**By FALCK of Fayette**

**H-1543 FILED APRIL 16, 2001**

**SENATE FILE 240****H-1544**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:

3 1. Page 2, by striking line 1, and inserting the  
4 following: "school facility by the school district at  
5 any point during".

**By SCHRADER of Marion**

**H-1544 FILED APRIL 16, 2001**

**SENATE FILE 240****H-1545**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 1, by striking lines 22 through 26 and  
4 inserting the following:  
5 "2. Prior to entering into an agreement with a  
6 selected private investor regarding the construction  
7 of a school facility and a lease-purchase arrangement,  
8 a school board shall hold a public hearing on the  
9 question of entering into the agreement. The board  
10 shall set forth its proposal in a resolution and shall  
11 publish the notice of the time and place of a public  
12 hearing on the resolution. Notice of the time and  
13 place of the public hearing shall be published not  
14 less than thirty days before the public hearing in a  
15 newspaper which is a newspaper of general circulation  
16 in the school district. At the hearing, or no later  
17 than thirty days after the date of the hearing, the  
18 board shall take action to adopt a resolution to  
19 direct the county commissioner of elections to submit  
20 the question of entering into the agreement to the  
21 registered voters of the school district at the next  
22 regular school election or at a special election. If  
23 sixty percent of those voting on the question favors  
24 entering into the agreement, the board shall adopt a  
25 resolution to enter into the agreement and certify the  
26 results of the election to the department of  
27 management."

By FALCK of Fayette

**H-1545** FILED APRIL 16, 2001

**SENATE FILE 240****H-1546**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 1, by striking lines 33 and 34, and  
4 inserting the following: "A lease agreement shall  
5 extend for a duration mutually agreed upon by the  
6 private investor and the school district, with the  
7 option to continue the lease at the end of".

By SCHRADER of Marion

**H-1546** FILED APRIL 16, 2001

**SENATE FILE 240****H-1547**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 1, by striking lines 19 through 21, and  
4 inserting the following: "completion of a fully  
5 operational school facility by a mutually agreed upon  
6 date. Private investors and school districts shall by  
7 mutual agreement determine responsibility for  
8 financing the purchase of all classroom furnishings  
9 and school facility equipment."

**By HUSER of Polk**

**H-1547** FILED APRIL 16, 2001

**SENATE FILE 240****H-1548**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 1, line 3, by striking the word "The" and  
4 inserting the following: "If funds are appropriated  
5 to the department of education in an amount determined  
6 sufficient to administer the program, the".

**By HUSER of Polk**

**H-1548** FILED APRIL 16, 2001

**SENATE FILE 240****H-1551**

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 3, line 1, by inserting after the word  
4 "facilities," the following: "before and after school  
5 care programs, institutions governed by the state  
6 board of regents, private four-year postsecondary  
7 institutions,".

**By WITT of Black Hawk**

**H-1551** FILED APRIL 16, 2001

H-1564

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:

3 1. Page 1, line 26, by inserting after the word  
4 "corporation." the following:

5 "At the hearing held pursuant to section 73A.3, or  
6 no later than thirty days after the date of the  
7 hearing, the board shall take action to adopt a  
8 resolution to direct the county commissioner of  
9 elections to submit the question of entering into the  
10 agreement to the registered voters of the school  
11 district at the next regular school election or at a  
12 special election. If sixty percent of those voting on  
13 the question favors entering into the agreement, the  
14 board shall adopt a resolution to enter into the  
15 agreement and certify the results of the election to  
16 the department of management."

By FALCK of Fayette

H-1564 FILED APRIL 17, 2001

## SENATE FILE 240

H-8489

1 Amend Senate File 240, as amended, passed, and  
2 reprinted by the Senate, as follows:

3 1. Page 1, line 3, by striking the word "a".

4 2. Page 1, line 4, by striking the word "program"  
5 and inserting the following: "programs".

6 3. Page 1, by inserting after line 6 the  
7 following:

8 "1. One pilot program is intended to examine the  
9 relative effectiveness of school infrastructure  
10 funding using a local sales and services tax under  
11 chapter 422E as compared to using the school district  
12 sales tax fund under chapter 298B. The department of  
13 education shall select six school districts that are  
14 collecting a local sales and services tax under  
15 chapter 422E, as of July 1, 2002, and six school  
16 districts that are not collecting a local sales and  
17 services tax under chapter 422E, as of July 1, 2002,  
18 but receive funding under chapter 298B."

19 4. Page 1, by striking line 7 and inserting the  
20 following:

21 "2. One pilot program is intended to shift the  
22 responsibility for the".

23 5. Page 1, line 14, by striking the figure "1"  
24 and inserting the following: "a".

25 6. Page 1, line 22, by striking the figure "2"  
26 and inserting the following: "b".

27 7. Page 1, line 27, by striking the figure "3"  
28 and inserting the following: "c".

29 8. Page 2, line 7, by striking the figure "4" and  
30 inserting the following: "d".

31 9. Page 2, line 16, by striking the figure "5"  
32 and inserting the following: "e".

33 10. Page 2, line 21, by striking the figure "6"  
34 and inserting the following: "f".

35 11. Page 3, line 4, by striking the figure "7"  
36 and inserting the following: "g".

37 12. Page 3, line 19, by striking the figure "8"  
38 and inserting the following: "h".

39 13. Page 4, by inserting after line 2 the  
40 following:

41 "Sec. 103. NEW SECTION. 298B.1 SCHOOL DISTRICT  
42 SALES TAX FUND.

43 1. A school district sales tax fund is created as  
44 a separate and distinct fund in the state treasury  
45 under the control of the department of revenue and  
46 finance. Moneys in the fund include revenues credited  
47 to the fund pursuant to section 422.69, subsection 2,  
48 appropriations made to the fund, and other moneys  
49 deposited into the fund. The moneys credited in a  
50 fiscal year to the fund shall be distributed as

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1 follows:

2 a. (1) A school district located in whole or in  
3 part in a county that voted on and approved prior to  
4 March 31, 2002, the local sales and services tax for  
5 school infrastructure purposes under chapter 422E  
6 shall receive an amount equal to its guaranteed school  
7 infrastructure amount as calculated under subsection 2  
8 if the board of directors notifies the director of  
9 revenue and finance that the school district wants to  
10 receive its guaranteed school infrastructure amount.  
11 The notification shall be provided by July 1, 2003.  
12 If notification is not received by July 1, 2003, the  
13 school district shall receive moneys pursuant to  
14 paragraph "b". Nothing in this chapter shall prevent  
15 a school district from using its guaranteed school  
16 infrastructure amount to pay principal and interest on  
17 obligations issued pursuant to section 422E.4.

18 (2) A school district receiving moneys pursuant to  
19 subparagraph (1) shall cease to receive its guaranteed  
20 school infrastructure amount and shall receive moneys  
21 pursuant to paragraph "b" starting with the calendar  
22 quarter immediately following the calendar quarter in  
23 which occurs the end of the original ten-year period  
24 or the date listed on the original ballot proposition,  
25 whichever is the earlier, as provided in chapter 422E.  
26 However, a school district receiving moneys pursuant  
27 to subparagraph (1) may elect at anytime to receive  
28 moneys pursuant to paragraph "b" by providing  
29 notification to receive moneys pursuant to paragraph  
30 "b" to the director of revenue and finance and the  
31 director of the department of management by the middle  
32 of the fifth month preceding the calendar quarter for  
33 which the election will apply. Once a school district  
34 makes this election it is irrevocable.

35 b. (1) Moneys remaining after computations made  
36 pursuant to paragraph "a" shall be distributed to  
37 school districts not receiving moneys under paragraph  
38 "a" on a per student basis calculated by the director  
39 of revenue and finance by dividing the moneys  
40 available during the previous calendar quarter by the  
41 combined actual enrollment for all school districts  
42 receiving distributions under this paragraph.

43 (2) The combined actual enrollment for school  
44 districts, for purposes of subparagraph (1), shall be  
45 calculated by adding together the actual enrollment  
46 for each school district receiving distributions under  
47 subparagraph (1) as determined by the department of  
48 management based on the actual enrollment figures  
49 reported by October 1 to the department of management  
50 by the department of education pursuant to section

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1 257.6, subsection 1. The combined actual enrollment  
2 count shall be forwarded to the director of revenue  
3 and finance by January 1, annually, for purposes of  
4 supplying estimated tax payment figures and making tax  
5 payments pursuant to subsection 3 for the following  
6 four calendar quarters.

7 2. a. For purposes of distributions under  
8 subsection 1, paragraph "a", the school district's  
9 guaranteed school infrastructure amount shall be  
10 calculated according to the following formula:

11 The district's guaranteed school infrastructure  
12 amount equals the product of the county guaranteed  
13 school infrastructure amount times the district's  
14 county actual enrollment divided by the county  
15 combined actual enrollment.

16 b. For purposes of the formula in paragraph "a":

17 (1) "Base year" means the fiscal year beginning  
18 July 1, 2001.

19 (2) "Base year county taxable sales percentage"  
20 means the percentage that the taxable sales in the  
21 county during the base year is of the total state  
22 taxable sales during the base year.

23 (3) "County combined actual enrollment" means the  
24 actual enrollment figures determined by the department  
25 of management for the county based on the actual  
26 enrollment figures reported by October 1 to the  
27 department of management by the department of  
28 education pursuant to section 257.6, subsection 1.

29 (4) "County guaranteed school infrastructure  
30 amount" means an amount equal to the product of the  
31 county's chapter 422E proportionate share times the  
32 amount deposited in the school district sales tax fund  
33 for the current quarter times the current quarter  
34 county taxable sales percentage divided by the base  
35 year county taxable sales percentage.

36 (5) "County's chapter 422E proportionate share"  
37 means the percentage that the annualized revenues  
38 received or which would have been received in the  
39 county under chapter 422E for the base year is of one-  
40 fifth of the total state sales tax revenues collected  
41 for deposit into the general fund of the state for the  
42 base year.

43 (6) "Current quarter" means the calendar quarter  
44 for which distributions under this section are being  
45 made.

46 (7) "Current quarter county taxable sales  
47 percentage" means the percentage that the taxable  
48 sales in the county during the current quarter is of  
49 the total state taxable sales during the current  
50 quarter.

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1 (8) "District's county actual enrollment" means  
2 the actual enrollment of the school district that  
3 attends school in the county for which the county  
4 combined actual enrollment is determined.

5 (9) "Taxable sales" means sales subject to the  
6 state sales and services tax under chapter 422,  
7 division IV.

8 3. a. The director of revenue and finance by  
9 April 10 preceding each fiscal year shall send to each  
10 school district an estimate of the amount of tax  
11 moneys each school district will receive for the year  
12 and for each quarter of the year. At the end of each  
13 quarter, the director may revise the estimates for the  
14 year and remaining quarters.

15 b. The director shall remit ninety-five percent of  
16 the estimated tax receipts collected during the  
17 previous calendar quarter for the school district to  
18 the school district on or before the end of the  
19 following calendar quarter. The first distributions  
20 shall be made on or before July 1, 2003, of the  
21 estimated tax receipts collected during the calendar  
22 quarter beginning January 1, 2003, and ending March  
23 31, 2003.

24 c. The director shall remit a final payment of the  
25 remainder of tax moneys due for the fiscal year before  
26 November 10 of the next fiscal year. If an  
27 overpayment has resulted during the previous fiscal  
28 year, the November payment shall be adjusted to  
29 reflect any overpayment.

30 d. If the distributions are to school districts  
31 described in subsection 1, paragraph "a", the payments  
32 to these school districts shall be made on a monthly  
33 basis beginning with the first distribution to be made  
34 in February 2003.

35 4. The department of revenue and finance has  
36 rulemaking authority for purposes of carrying out the  
37 provisions of this section.

38 Sec. 104. NEW SECTION. 298B.2 USE OF SCHOOL  
39 DISTRICT SALES TAX FUND MONEYS.

40 1. a. A school district receiving moneys from the  
41 school district sales tax fund under section 298B.1,  
42 subsection 1, paragraph "a", shall use the moneys as  
43 provided on the original ballot proposition pursuant  
44 to chapter 422E, for the payment of principal and  
45 interest on general obligation bonds issued pursuant  
46 to chapter 296, or section 298.20 or loan agreements  
47 under section 297.36, for payments made pursuant to  
48 real property lease or lease-purchase agreements, or  
49 for payment of principal and interest on bonds issued  
50 under section 298B.3 or 422E.4.

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1 b. If a school district that qualifies to receive  
2 a guaranteed school infrastructure amount under  
3 section 298B.1, subsection 1, paragraph "a", elects to  
4 receive moneys under section 298B.1, subsection 1,  
5 paragraph "b", the school district shall use the  
6 moneys received, in an amount equal to its guaranteed  
7 school infrastructure amount, for the purposes  
8 provided in paragraph "a" of this subsection until the  
9 fiscal year immediately following the fiscal year in  
10 which occurs the end of the original ten-year period  
11 or the date listed on the original ballot proposition,  
12 whichever is the earlier, as provided in chapter 422E,  
13 at which time all moneys received shall be used as  
14 provided in subsection 2.

15 2. a. Moneys received by a school district from  
16 the school district sales tax fund under section  
17 298B.1, subsection 1, paragraph "b", except to the  
18 extent provided in subsection 1, paragraph "b", of the  
19 section, shall be spent for property tax relief or  
20 infrastructure purposes according to an infrastructure  
21 plan developed by the board of directors. The  
22 infrastructure plan may apply to more than one fiscal  
23 year, but shall be reviewed periodically by the board  
24 of directors. Prior to adoption of the plan, the  
25 board of directors shall hold a public hearing on the  
26 question of approval of the proposed plan. The board  
27 shall set forth its proposal and shall publish the  
28 notice of the time and place of a public hearing on  
29 the proposed plan. Notice of the time and place of  
30 the public hearing shall be published not less than  
31 ten nor more than twenty days before the public  
32 hearing in a newspaper which is a newspaper of general  
33 circulation in the school district. At the hearing,  
34 or no later than thirty days after the date of the  
35 hearing, the board shall take action to adopt the  
36 proposed plan.

37 b. If the board adopts the plan, the board shall  
38 direct the county commissioner of elections to submit  
39 the question of the approval or disapproval of the  
40 infrastructure plan to the registered voters of the  
41 school district at the next following regular school  
42 election or a special election. If a majority of  
43 those voting on the question favor the plan of the  
44 board, the moneys received shall be used according to  
45 the plan beginning with the first fiscal year  
46 following that election until a change in the plan is  
47 approved at a subsequent election by a majority of  
48 those voting on the question. If a majority of those  
49 voting on the question at the election does not favor  
50 the plan of the board, the district shall use the

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1 moneys received as provided in paragraph "c" for the  
2 fiscal year.

3 If a plan is not approved at an election, the  
4 question of the approval of the plan or any part of  
5 that plan shall not be submitted to the registered  
6 voters sooner than six months from the date the plan  
7 or part of the plan was previously submitted.

8 c. If the infrastructure plan is not approved at  
9 an election as provided in paragraph "b", or if a plan  
10 is not approved by the board, moneys received by a  
11 school district or moneys in excess of those needed  
12 for infrastructure purposes according to an approved  
13 plan shall be used for the fiscal year to reduce the  
14 following levies including income surtax, if any, in  
15 the order determined by the board:

16 (1) Bond levies under sections 298.18 and 298.18A  
17 and all other debt levies until the moneys received or  
18 the levies are reduced to zero.

19 (2) The regular physical plant and equipment levy  
20 under section 298.2, until the moneys received or the  
21 levy is reduced to zero.

22 (3) The voter-approved physical plant and  
23 equipment levy and income surtax, if any, under  
24 section 298.2, until the moneys received or the levy  
25 and income surtax, if any, is reduced to zero.

26 (4) The district management levy under section  
27 298.4, until the moneys received or the levy is  
28 reduced to zero.

29 (5) The cash reserve levy under section 298.10,  
30 until the moneys received or the levy is reduced to  
31 zero.

32 (6) The budget adjustment levy under section  
33 257.14, until the moneys received or the levy is  
34 reduced to zero.

35 (7) The playground and equipment levy under  
36 section 300.2, until the moneys received or the levy  
37 is reduced to zero.

38 d. For purposes of this subsection,  
39 "infrastructure purposes" means those purposes for  
40 which a school district is authorized to contract  
41 indebtedness and issue general obligation bonds under  
42 chapter 296 or to expend tax revenues under section  
43 298.3, the payment of principal and interest on  
44 general obligation bonds issued under chapter 296 or  
45 section 298.20 or loan agreements under section  
46 297.36, payments made pursuant to a real property  
47 lease or lease-purchase agreement, or the payment of  
48 principal and interest on bonds issued under section  
49 298.3 or 422E.4.

50 e. Notwithstanding any other provision in this

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1 subsection, moneys received by a school district from  
2 the school district sales tax fund under section  
3 298B.1, subsection 1, paragraph "b", during the fiscal  
4 year beginning July 1, 2002, shall be dedicated for  
5 property tax relief by reducing the levies specified  
6 in paragraph "c" for taxes payable in the fiscal year  
7 beginning July 1, 2003. However, if an infrastructure  
8 plan is approved at an election by the required  
9 majority of those voting prior to April 15, 2003, any  
10 amount of such dedicated moneys may be used for the  
11 purposes specified under the plan.

12 Sec. 105. NEW SECTION. 298B.3 BONDING.

13 A school district receiving moneys pursuant to  
14 section 298B.1, subsection 1, paragraph "a", or a  
15 school district receiving moneys pursuant to section  
16 298B.1, subsection 1, paragraph "b", which has  
17 approved by election the use of the moneys for  
18 infrastructure purposes, may anticipate the amount of  
19 moneys to be received pursuant to section 298B.1 as  
20 provided in this section.

21 The board of directors of a school district may  
22 issue negotiable, interest-bearing school bonds,  
23 without an additional election, and utilize tax  
24 receipts derived from the school district sales tax  
25 fund for principal and interest repayment. Proceeds  
26 of the bonds issued pursuant to this section shall be  
27 utilized solely for infrastructure purposes as defined  
28 in section 298B.2, subsection 2.

29 Bonds issued under this section may be sold at  
30 public sale as provided in chapter 75. Notice shall  
31 be given and a hearing shall be held as provided in  
32 section 73A.12. Bonds may bear dates, bear interest  
33 at rates not exceeding that permitted by chapter 74A,  
34 mature in one or more installments, be in either  
35 coupon or registered form, carry registration and  
36 conversion privileges, be payable as to principal and  
37 interest at times and places, be subject to terms of  
38 redemption prior to maturity with or without premium,  
39 and be in one or more denominations, all as provided  
40 by the resolution of the board of directors  
41 authorizing their issuance. However, the maximum  
42 period during which principal on the bonds is payable  
43 shall not exceed the length of time the infrastructure  
44 plan is valid. The resolution may also prescribe  
45 additional provisions, terms, conditions, and  
46 covenants which the board of directors deems  
47 advisable, including provisions for creating and  
48 maintaining reserve funds, the issuance of additional  
49 bonds ranking on a parity with such bonds and  
50 additional bonds junior and subordinate to such bonds,

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1 and that such bonds shall rank on a parity with or be  
2 junior and subordinate to any bonds which may be then  
3 outstanding. Bonds may be issued to refund  
4 outstanding and previously issued bonds under this  
5 section. Bonds are a contract between the school  
6 district and holders, and the resolution issuing the  
7 bonds and pledging tax revenues to be received from  
8 the school district sales tax fund to the payment of  
9 principal and interest on the bonds is a part of the  
10 contract. Bonds issued pursuant to this section shall  
11 not constitute indebtedness within the meaning of any  
12 constitutional or statutory debt limitation or  
13 restriction, and shall not be subject to any other law  
14 relating to the authorization, issuance, or sale of  
15 bonds.

16 A school district may enter into a chapter 28E  
17 agreement with another school district or other public  
18 entity. The school district shall only expend its  
19 designated portion of tax revenues to be received from  
20 the school district sales tax fund.

21 Sec. 106. NEW SECTION. 298B.4 REPEAL.

22 This chapter is repealed July 1, 2022, for fiscal  
23 years beginning on or after that date.

24 Sec. 107. Section 422.43, subsections 1, 2, 4, 5,  
25 6, 7, 10, and 12, Code Supplement 2001, are amended to  
26 read as follows:

27 1. There is imposed a tax of ~~five~~ six percent upon  
28 the gross receipts from all sales of tangible personal  
29 property, consisting of goods, wares, or merchandise,  
30 except as otherwise provided in this division, sold at  
31 retail in the state to consumers or users; a like rate  
32 of tax upon the gross receipts from the sales,  
33 furnishing, or service of gas, electricity, water,  
34 heat, pay television service, and communication  
35 service, including the gross receipts from such sales  
36 by any municipal corporation or joint water utility  
37 furnishing gas, electricity, water, heat, pay  
38 television service, and communication service to the  
39 public in its proprietary capacity, except as  
40 otherwise provided in this division, when sold at  
41 retail in the state to consumers or users; a like rate  
42 of tax upon the gross receipts from all sales of  
43 tickets or admissions to places of amusement, fairs,  
44 and athletic events except those of elementary and  
45 secondary educational institutions; a like rate of tax  
46 on the gross receipts from an entry fee or like charge  
47 imposed solely for the privilege of participating in  
48 an activity at a place of amusement, fair, or athletic  
49 event unless the gross receipts from the sales of  
50 tickets or admissions charges for observing the same

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1 activity are taxable under this division; and a like  
2 rate of tax upon that part of private club membership  
3 fees or charges paid for the privilege of  
4 participating in any athletic sports provided club  
5 members.

6 2. There is imposed a tax of ~~five~~ six percent upon  
7 the gross receipts derived from the operation of all  
8 forms of amusement devices and games of skill, games  
9 of chance, raffles, and bingo games as defined in  
10 chapter 99B, operated or conducted within the state,  
11 the tax to be collected from the operator in the same  
12 manner as for the collection of taxes upon the gross  
13 receipts of tickets or admission as provided in this  
14 section. The tax shall also be imposed upon the gross  
15 receipts derived from the sale of lottery tickets or  
16 shares pursuant to chapter 99E. The tax on the  
17 lottery tickets or shares shall be included in the  
18 sales price and distributed to the general fund as  
19 provided in section 99E.10.

20 4. There is imposed a tax of ~~five~~ six percent upon  
21 the gross receipts from the sales of engraving,  
22 photography, retouching, printing, and binding  
23 services. For the purpose of this division, the sales  
24 of engraving, photography, retouching, printing, and  
25 binding services are sales of tangible property.

26 5. There is imposed a tax of ~~five~~ six percent upon  
27 the gross receipts from the sales of vulcanizing,  
28 recapping, and retreading services. For the purpose  
29 of this division, the sales of vulcanizing, recapping,  
30 and retreading services are sales of tangible  
31 property.

32 6. There is imposed a tax of ~~five~~ six percent upon  
33 the gross receipts from the sales of optional service  
34 or warranty contracts, except residential service  
35 contracts regulated under chapter 523C, which provide  
36 for the furnishing of labor and materials and require  
37 the furnishing of any taxable service enumerated under  
38 this section. The gross receipts are subject to tax  
39 even if some of the services furnished are not  
40 enumerated under this section. For the purpose of  
41 this division, the sale of an optional service or  
42 warranty contract, other than a residential service  
43 contract regulated under chapter 523C, is a sale of  
44 tangible personal property. Additional sales,  
45 services, or use taxes shall not be levied on  
46 services, parts, or labor provided under optional  
47 service or warranty contracts which are subject to tax  
48 under this section.

49 If the optional service or warranty contract is a  
50 computer software maintenance or support service

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1 contract and there is no separately stated fee for the  
2 taxable personal property or for the nontaxable  
3 service, the tax of five six percent imposed by this  
4 subsection shall be imposed on fifty percent of the  
5 gross receipts from the sale of such contract. If the  
6 contract provides for technical support services only,  
7 no tax shall be imposed under this subsection. The  
8 provisions of this subsection also apply to the tax  
9 imposed by chapter 423.

10 7. There is imposed a tax of five six percent upon  
11 the gross receipts from the renting of rooms,  
12 apartments, or sleeping quarters in a hotel, motel,  
13 inn, public lodging house, rooming house, manufactured  
14 or mobile home which is tangible personal property, or  
15 tourist court, or in any place where sleeping  
16 accommodations are furnished to transient guests for  
17 rent, whether with or without meals. "Renting" and  
18 "rent" include any kind of direct or indirect charge  
19 for such rooms, apartments, or sleeping quarters, or  
20 their use. For the purposes of this division, such  
21 renting is regarded as a sale of tangible personal  
22 property at retail. However, this tax does not apply  
23 to the gross receipts from the renting of a room,  
24 apartment, or sleeping quarters while rented by the  
25 same person for a period of more than thirty-one  
26 consecutive days.

27 10. There is imposed a tax of five six percent  
28 upon the gross receipts from the rendering,  
29 furnishing, or performing of services as defined in  
30 section 422.42.

31 12. A tax of five six percent is imposed upon the  
32 gross receipts from the sales of prepaid telephone  
33 calling cards and prepaid authorization numbers. For  
34 the purpose of this division, the sales of prepaid  
35 telephone calling cards and prepaid authorization  
36 numbers are sales of tangible personal property.

37 Sec. 108. Section 422.43, subsection 13, paragraph  
38 a, unnumbered paragraph 1, Code Supplement 2001, is  
39 amended to read as follows:

40 A tax of five six percent is imposed upon the gross  
41 receipts from the sales, furnishing, or service of  
42 solid waste collection and disposal service.

43 Sec. 109. Section 422.43, subsections 16 and 17,  
44 Code Supplement 2001, are amended to read as follows:

45 16. a. A tax of five six percent is imposed upon  
46 the gross receipts from sales of bundled services  
47 contracts. For purposes of this subsection, a  
48 "bundled services contract" means an agreement  
49 providing for a retailer's performance of services,  
50 one or more of which is a taxable service enumerated

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1 in this section and one or more of which is not, in  
2 return for a consumer's or user's single payment for  
3 the performance of the services, with no separate  
4 statement to the consumer or user of what portion of  
5 that payment is attributable to any one service which  
6 is a part of the contract.

7 b. For purposes of the administration of the tax  
8 on bundled services contracts, the director may enter  
9 into agreements of limited duration with individual  
10 retailers, groups of retailers, or organizations  
11 representing retailers of bundled services contracts.  
12 Such an agreement shall impose the tax rate only upon  
13 that portion of the gross receipts from a bundled  
14 services contract which is attributable to taxable  
15 services provided under the contract.

16 17. A tax of ~~five~~ six percent is imposed upon the  
17 gross receipts from any mobile telecommunication  
18 service which this state is allowed to tax by the  
19 provisions of the federal Mobile Telecommunications  
20 Sourcing Act, Pub. L. No. 106-252, 4 U.S.C. § 116 et  
21 seq. For purposes of this subsection, taxes on mobile  
22 telecommunications service, as defined under the  
23 federal Mobile Telecommunications Sourcing Act, that  
24 are deemed to be provided by the customer's home  
25 service provider shall be paid to the taxing  
26 jurisdiction whose territorial limits encompass the  
27 customer's place of primary use, regardless of where  
28 the mobile telecommunication service originates,  
29 terminates, or passes through and shall in all other  
30 respects be taxed in conformity with the federal  
31 Mobile Telecommunications Sourcing Act. All other  
32 provisions of the federal Mobile Telecommunications  
33 Sourcing Act are adopted by the state of Iowa and  
34 incorporated into this subsection by reference. With  
35 respect to mobile telecommunications service under the  
36 federal Mobile Telecommunications Sourcing Act the  
37 director shall, if requested, enter into agreements  
38 consistent with the provisions of the federal Act.

39 Sec. 110. Section 422.43, Code Supplement 2001, is  
40 amended by adding the following new subsection:

41 NEW SUBSECTION. 18. The sales tax rate of six  
42 percent is reduced to five percent on July 1, 2022.

43 Sec. 111. Section 422.47, Code Supplement 2001, is  
44 amended by adding the following new subsection:

45 NEW SUBSECTION. 2. Construction contractors may  
46 make application to the department for a refund of the  
47 additional one percent tax paid under this division by  
48 reason of the increase in the tax from five to six  
49 percent for taxes paid on goods, wares, or merchandise  
50 under the following conditions:

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1 a. The goods, wares, or merchandise are  
2 incorporated into an improvement to real estate in  
3 fulfillment of a written contract fully executed prior  
4 to January 1, 2003. The refund shall not apply to  
5 equipment transferred in fulfillment of a mixed  
6 construction contract.

7 b. The contractor has paid to the department or to  
8 a retailer the full six percent tax.

9 c. The claim is filed on forms provided by the  
10 department and is filed within one year of the date  
11 the tax is paid.

12 A contractor who makes an erroneous application for  
13 refund shall be liable for payment of the excess  
14 refund paid plus interest at the rate in effect under  
15 section 421.7. In addition, a contractor who  
16 willfully makes a false application for refund is  
17 guilty of a simple misdemeanor and is liable for a  
18 penalty equal to fifty percent of the excess refund  
19 claimed. Excess refunds, penalties, and interest due  
20 under this subsection may be enforced and collected in  
21 the same manner as the tax imposed by this division.

22 Sec. 112. Section 422.69, subsection 2, Code 2001,  
23 is amended to read as follows:

24 2. a. ~~Unless~~ Except as provided in paragraph "b",  
25 or as otherwise provided, the fees, taxes, interest,  
26 and penalties collected under this chapter shall be  
27 credited to the general fund.

28 b. One-sixth of the fees, taxes, interest, and  
29 penalties collected pursuant to division IV shall be  
30 credited to the school district sales tax fund created  
31 in section 298B.1. This paragraph is repealed July 1,  
32 2022.

33 Sec. 113. Section 422E.1, Code 2001, is amended by  
34 adding the following new subsection:

35 NEW SUBSECTION. 4. a. This chapter does not  
36 apply to any county after the effective date of this  
37 section of this Act, except to the extent provided in  
38 paragraph "b". Any election on the imposition of the  
39 local sales and services tax scheduled to be held on  
40 or after the effective date of this section of this  
41 Act shall not be held.

42 b. A county that has voted on and approved prior  
43 to March 31, 2002, a local sales and services tax for  
44 school infrastructure purposes shall impose the tax  
45 until December 31, 2002. However, the increase in the  
46 state sales and services tax under chapter 422,  
47 division IV, from five percent on January 1, 2003, to  
48 six percent shall replace the county's local sales and  
49 services tax for school infrastructure purposes and to  
50 this extent the local sales and services tax for

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1 school infrastructure purposes is repealed.  
2 Sec. 114. APPLICABILITY. This section applies in  
3 regard to the increase in the state sales tax from  
4 five to six percent. The six percent rate applies to  
5 all sales of taxable personal property, consisting of  
6 goods, wares, or merchandise if delivery occurs on or  
7 after January 1, 2003. The six percent rate applies  
8 to the gross receipts from the sale, furnishing, or  
9 service of gas, electricity, water, heat, pay  
10 television service, and communication service if the  
11 date of billing the customer is on or after January 1,  
12 2003. In the case of a service contract entered into  
13 prior to January 1, 2003, which contract calls for  
14 periodic payments, the six percent rate applies to  
15 those payments made or due on or after January 1,  
16 2003. This periodic payment applies, but is not  
17 limited to, tickets or admissions, private club  
18 membership fees, sources of amusement, equipment  
19 rental, dry cleaning, reducing salons, dance schools,  
20 and all other services subject to tax, except the  
21 aforementioned utility services which are subject to a  
22 special transitional rule. Unlike periodic payments  
23 under service contracts, installment sales of goods,  
24 wares, and merchandise are subject to the full amount  
25 of sales or use tax when the sales contract is entered  
26 into.

27 Sec. 115. EFFECTIVE DATES.

28 1. Sections 103, 104, and 113 of this Act,  
29 enacting sections 298B.1 and 298B.2 and section  
30 422E.1, subsection 4, being deemed of immediate  
31 importance, take effect upon enactment.

32 2. Sections 107, 108, 109, 111, and 112 of this  
33 Act, amending section 422.43, increasing the sales  
34 tax, and sections 422.47 and 422.69, take effect  
35 January 1, 2003."

36 14. Title page, by striking line 2 and inserting  
37 the following: "programs and for the use of school  
38 district moneys received from certain state sales tax  
39 revenues for property tax relief and infrastructure  
40 purposes if approved by the vote of the electorate,  
41 providing a penalty, and including effective date  
42 provisions."

By RICHARDSON of Warren

**H-8489** FILED APRIL 2, 2002

**SENATE FILE 240  
FISCAL NOTE**

A fiscal note for **SF 240 as passed by Senate** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 240 as passed by the Senate establishes a school investment partnership pilot program to evaluate the effectiveness of private participation in the funding and management of school infrastructure and nonacademic services. The Bill requires the Department of Education to administer the pilot program and to submit a detailed annual report to the General Assembly by January 1 of each year for a five-year period.

The Bill requires that each of the six pilots pair one or more private investors with one or more school districts. The private investors shall finance the construction of school facilities meeting school district specifications and lease the facilities back to the school districts. The Bill sets certain lease requirements and delineates the decision-making responsibilities and rights of the school districts and the private investors.

**ASSUMPTIONS**

1. The Bill will require a commitment of time from the Department of Education staff to develop rules and procedures. The amount of staff time required cannot be determined at this time.
2. There will be lease or lease-purchase costs to school districts involved in the partnerships. It is possible those costs will be minimal. Those costs cannot be estimated at this time.
3. School districts are not permitted to pay lease or lease-purchase costs from the General Fund. It is questionable whether a district could use the Physical Plant and Equipment Levy beyond a ten-year period to pay the costs of a 20-year lease. However, philanthropic private investors could keep the costs to school districts low enough to negate these concerns.
4. The Bill authorizes six pilot programs. It is assumed the cost of each pilot project school building is \$5.0 million.
5. The cost of equipment and furnishings for each school is assumed to equal 25.0% of the structure cost.
6. Equipment and furnishings need to be replaced every ten years.
7. Prices and property valuations are assumed to increase at a rate of 3.0% per year.
8. Equipment and furnishings are assumed to be 5-year property and school buildings 20-year property for depreciation purposes. Depreciation rates equal the MACRS (Modified Accelerated Cost Recovery System) rates specified for property placed in service during the second quarter of a tax year.
9. Annual maintenance expense is assumed to equal 10.0% of initial structure investment.
10. Market value is assumed to equal 70.0% of initial construction cost.

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adjusted for inflation.

11. The assumed property tax rate is \$35 per \$1,000 of assessed valuation.
12. Annual rent equals 5.0% of 85.0% of the present value of the structure at the end of 20 years plus 5.0% of equipment and furnishings costs.
13. The applicable State and federal marginal individual income tax rates are 8.98% and 33.0%, respectively.
14. The uniform property tax rate for schools equals \$5.40 per \$1,000 of assessed valuation.

#### FISCAL IMPACT

The fiscal impact of Senate File 240 as passed by the Senate is estimated as follows:

1. The expenses of the Department of Education to administer the program cannot be determined at this time.
2. The cost to local school districts cannot be quantified at this time, but is expected to be minimal, assuming philanthropic private investors participate in the pilot program.
3. There will be no impact on State revenue in FY 2002 and FY 2003.
4. The impact on State revenue in subsequent fiscal years is estimated to be a decrease of between \$200,000 and \$480,000. The estimate is based upon the assumption that all six pilot projects authorized in the Bill are established.

#### SOURCES

Department of Revenue and Finance  
Department of Education

(LSB 1840SV.2, RKM)

FILED APRIL 24, 2001

BY DENNIS PROUTY, FISCAL DIRECTOR