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SENATE FILE 2421

BY JUDGE, BLACK, BOLKCOM, CONNOLLY,
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HARPER, KIBBIE, McCOY, SHEARER,
SOUKUP, and GRONSTAL

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act creating an Iowa education infrastructure program and
2 fund, an education infrastructure review committee, and
3 providing authority to issue bonds and refunding bonds to fund
4 the Iowa education infrastructure fund and bond reserve funds,
5 and making appropriations to the Iowa education infrastructure
6 fund.

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

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SF 2421 APPROPRIATIONS

1 Section 1. Section 8.57, subsection 5, paragraph e, Code
2 1999, is amended to read as follows:

3 e. Notwithstanding provisions to the contrary in sections
4 ~~99D.17 and 99F.11, for the fiscal years beginning July 1,~~
5 ~~1995, and July 1, 1996,~~ an amount, determined by the treasurer
6 of state, sufficient to make payments during the fiscal year
7 on the principal of, premium, if any, and interest on bonds
8 issued by the treasurer of state under section 12.71 shall be
9 deposited in the Iowa education infrastructure fund created in
10 section 256.24. Notwithstanding provisions to the contrary in
11 sections 99D.17 and 99F.11, after sufficient moneys are
12 deposited in the Iowa education infrastructure fund, not more
13 than a total of sixty million dollars, and for each fiscal
14 year thereafter, shall be deposited in the general fund of the
15 state in any fiscal year pursuant to sections 99D.17 and
16 99F.11. The total moneys in excess of the moneys deposited in
17 the Iowa education infrastructure fund and the general fund of
18 the state in a fiscal year shall be deposited in the rebuild
19 Iowa infrastructure fund and shall be used as provided in this
20 section, notwithstanding section 8.60.

21 Sec. 2. NEW SECTION. 12.71 EDUCATION INFRASTRUCTURE
22 BONDS.

23 1. The treasurer of state may issue bonds for the purpose
24 of funding the Iowa education infrastructure fund created in
25 section 256.24 and for the purpose of refunding any bonds
26 issued under this section. Excluding the issuance of
27 refunding bonds, the treasurer of state shall not issue bonds
28 which result in the deposit of bond proceeds of more than one
29 hundred million dollars credited to the Iowa education
30 infrastructure fund. Refunding bonds may be issued and
31 secured and subject to this section in the same manner as
32 other bonds issued pursuant to this section.

33 2. The bonds are investment securities and negotiable
34 instruments within the meaning of and for the purposes of the
35 uniform commercial code.

1 3. The treasurer of state is authorized to pledge amounts
2 deposited in the Iowa education infrastructure fund created in
3 section 256.24 as security for the payment of the principal
4 of, premium, if any, and interest on the bonds. Bonds issued
5 under this section are payable solely and only out of the
6 moneys, assets, or revenues of the Iowa education
7 infrastructure fund and any bond reserve funds established
8 pursuant to section 12.72, all of which may be deposited with
9 trustees or depositories in accordance with bond or security
10 documents, and are not an indebtedness of this state, or a
11 charge against the general credit or general fund of the
12 state, and the state shall not be liable for the bonds except
13 from amounts on deposit in the funds. Bonds issued under this
14 section shall contain a statement that the bonds do not
15 constitute an indebtedness of the state.

16 4. The bonds shall be:

17 a. In a form, issued in denominations, executed in a
18 manner, payable over terms and with rights of redemption, and
19 subject to such other terms and conditions as prescribed in
20 the trust indenture, resolution, or other instrument
21 authorizing their issuance.

22 b. Negotiable instruments under the laws of this state and
23 may be sold at prices, at public or private sale, and in a
24 manner, as prescribed by the treasurer of state. Chapters
25 73A, 74, 74A, and 75 do not apply to the sale or issuance of
26 the bonds.

27 c. Subject to the terms, conditions, and covenants
28 providing for the payment of the principal, redemption
29 premiums, if any, interest, and other terms, conditions,
30 covenants, and protective provisions safeguarding payment, not
31 inconsistent with this section and as determined by the trust
32 indenture, resolution, or other instrument authorizing their
33 issuance.

34 5. The bonds are securities in which public officers and
35 bodies of this state, political subdivisions of this state,

1 insurance companies and associations and other persons
2 carrying on an insurance business, banks, trust companies,
3 savings associations, savings and loan associations, and
4 investment companies, administrators, guardians, executors,
5 trustees, and other fiduciaries, and other persons authorized
6 to invest in bonds or other obligations of the state, may
7 properly and legally invest funds, including capital, in their
8 control or belonging to them.

9 6. Bonds must be authorized by a trust indenture,
10 resolution, or other instrument of the treasurer of state.
11 However, a trust indenture, resolution, or other instrument
12 authorizing the issuance of bonds may delegate to an officer
13 of the issuer the power to negotiate and fix the details of an
14 issuance of bonds.

15 7. Neither the resolution, trust agreement, or any other
16 instrument by which a pledge is created is required to be
17 recorded or filed under the uniform commercial code to be
18 valid, binding, or effective.

19 8. All bonds issued by the treasurer of state in
20 connection with the program are exempt from taxation by the
21 state of Iowa and the interest on the bonds is exempt from
22 state income taxes and state inheritance and estate taxes.

23 9. The treasurer of state shall cooperate with the
24 department of economic development in the implementation of
25 this section.

26 Sec. 3. NEW SECTION. 12.72 BOND RESERVE FUNDS.

27 1. The treasurer of state may create and establish one or
28 more special funds, to be known as bond reserve funds, and
29 shall pay into each bond reserve fund any moneys appropriated
30 and made available by the treasurer of state for the purpose
31 of the fund, any proceeds of sale of notes or bonds to the
32 extent provided in the trust indenture, resolution, or other
33 instrument of the treasurer of state authorizing their
34 issuance, and any other moneys which may be available to the
35 treasurer of state for the purpose of the fund from any other

1 sources. All moneys held in a bond reserve fund, except as
2 otherwise provided in this section, shall be used as required
3 solely for the payment of the principal of bonds secured in
4 whole or in part by the fund or of the sinking fund payments
5 with respect to the bonds, the purchase or redemption of the
6 bonds, the payment of interest on the bonds, or the payments
7 of any redemption premium required to be paid when the bonds
8 are redeemed prior to maturity.

9 2. Moneys in a bond reserve fund shall not be withdrawn
10 from the fund at any time in an amount that will reduce the
11 amount of the fund to less than the bond reserve fund
12 requirement established for the fund, as provided in this
13 section, except for the purpose of making, with respect to
14 bonds secured in whole or in part by the fund, payment when
15 due of principal, interest, redemption premiums, and the
16 sinking fund payments with respect to the bonds for the
17 payment of which other moneys are not available. Any income
18 or interest earned by, or incremental to, a bond reserve fund
19 due to the investment of moneys in the fund may be transferred
20 by the treasurer of state to reserve funds or the Iowa
21 education infrastructure fund to the extent the transfer does
22 not reduce the amount of that bond reserve fund below the bond
23 reserve fund requirement for the fund.

24 3. The treasurer of state shall not at any time issue
25 bonds, secured in whole or in part by a bond reserve fund, if,
26 upon the issuance of the bonds, the amount in the bond reserve
27 fund will be less than the bond reserve fund requirement for
28 the fund, unless the treasurer of state at the time of
29 issuance of the bonds deposits in the fund from the proceeds
30 of the bonds issued or from other sources an amount which,
31 together with the amount then in the fund, will not be less
32 than the bond reserve fund requirement for the fund. For the
33 purposes of this section, the term "bond reserve fund
34 requirement" means, as of any particular date of computation,
35 an amount of money, as provided in the trust indenture,

1 resolution, or other instrument of the treasurer of state
2 authorizing the bonds with respect to which the fund is
3 established, equal to not more than ten percent of the
4 outstanding principal amount of bonds secured in whole or in
5 part by the fund.

6 Sec. 4. NEW SECTION. 12.73 EDUCATION INFRASTRUCTURE
7 REVIEW COMMITTEE.

8 1. An education infrastructure review committee is
9 established to provide assistance to the department of
10 education regarding the Iowa education infrastructure program.
11 The committee shall consist of seven members, including the
12 treasurer of state and six members appointed by the governor
13 and subject to confirmation by the senate. The members
14 appointed by the governor shall possess an expertise in public
15 finance issues.

16 2. All appointments shall comply with sections 69.16 and
17 69.16A.

18 3. The chairperson of the education infrastructure review
19 committee shall be elected by the committee from among its
20 membership for a term of one year. A vice chairperson may be
21 elected by the committee from among its membership for a one-
22 year term. In case of the absence or disability of the
23 chairperson and vice chairperson, the members of the committee
24 shall elect a temporary chairperson by a majority vote of
25 those members who are present and voting.

26 4. The members, except the treasurer of state, shall be
27 appointed to three-year staggered terms and the terms shall
28 commence and end as provided by section 69.19. If a vacancy
29 occurs, a successor shall be appointed to serve the unexpired
30 term. A successor shall be appointed in the same manner and
31 subject to the same qualifications as the original appointee.

32 5. The education infrastructure review committee shall
33 review applications submitted under the Iowa education
34 infrastructure program and make recommendations to the
35 department of education regarding the applications.

1 6. A majority of the members of the education
2 infrastructure review committee constitutes a quorum.

3 Sec. 5. NEW SECTION. 256.24 IOWA EDUCATION
4 INFRASTRUCTURE FUND.

5 1. The Iowa education infrastructure fund is created as a
6 separate and distinct fund in the state treasury. The Iowa
7 education infrastructure fund consists, in part, of moneys
8 deposited in the fund pursuant to section 8.57, subsection 5,
9 paragraph "e". The Iowa education infrastructure fund also
10 consists of any moneys appropriated to the fund by the general
11 assembly. Payments of interest or repayments of financial
12 assistance provided under the Iowa education infrastructure
13 program shall be deposited in the Iowa education
14 infrastructure fund. Moneys received by the treasurer of
15 state as a result of a bond issuance pursuant to section 12.71
16 shall be deposited in the Iowa education infrastructure fund
17 as provided in section 12.71. Notwithstanding section 12C.7,
18 subsection 2, interest and other income earned by the Iowa
19 education infrastructure fund shall be deposited in the Iowa
20 education infrastructure fund.

21 2. If the treasurer of state determines pursuant to
22 section 12.71 that bonds can be issued, the moneys in the Iowa
23 education infrastructure fund are appropriated to and for the
24 purpose of paying the principal of, premium, if any, and
25 interest on bonds issued by the treasurer of state under
26 section 12.71. Amounts in the Iowa education infrastructure
27 fund shall not be subject to appropriation for any purpose by
28 the general assembly, but shall be used only for the purposes
29 set forth in this section, section 12.71, and section 256.25.
30 The treasurer of state shall act as custodian of the Iowa
31 education infrastructure fund and disburse amounts contained
32 in the fund as directed by the department of education,
33 including the automatic disbursement of moneys pursuant to the
34 terms of bond indentures and documents and security provisions
35 to trustees and custodians. The treasurer of state may invest

1 the moneys deposited in the Iowa education infrastructure fund
2 subject to any limitations contained in any applicable bond
3 proceedings. Notwithstanding section 8.33, any balance in the
4 fund on June 30 of any fiscal year shall be transferred to the
5 rebuild Iowa infrastructure fund created in section 8.57,
6 subsection 5.

7 Sec. 6. NEW SECTION. 256.25 IOWA EDUCATION
8 INFRASTRUCTURE PROGRAM.

9 1. The department shall establish and administer an Iowa
10 education infrastructure program designed to assist school
11 districts with infrastructure needs. For purposes of this
12 section, "school infrastructure" means those activities for
13 which a school district is authorized to contract indebtedness
14 and issue general obligation bonds under section 296.1, except
15 those activities related to a teacher's or superintendent's
16 home or homes.

17 2. a. A school district may submit an application to the
18 department for financial assistance under the program if the
19 school district has secured a minimum of fifty percent of the
20 total capital investment in a project through one or more of
21 the following sources prior to applying for financial
22 assistance:

- 23 (1) The issuance of bonds.
24 (2) A physical plant and equipment levy under chapter 298.
25 (3) Other locally obtained moneys.

26 b. A school district may submit an application for
27 conditional approval to the department for financial
28 assistance under the program if the school district submits a
29 plan for securing the fifty percent of the total capital
30 investment in a project as required under paragraph "a". If a
31 school district does not meet the requirements of paragraph
32 "a" within six months of receiving conditional approval from
33 the department, the application for financial assistance shall
34 be denied by the department.

35 c. A school district that receives any local sales and

1 services tax moneys as allowed under chapter 422E shall not be
2 eligible to apply for financial assistance under the program.

3 3. The application shall include, but not be limited to,
4 the following:

5 a. The total capital investment of the project.

6 b. The amount and percentage of moneys which the school
7 district will be providing for the project.

8 c. The need of the school district for the project and for
9 the financial assistance.

10 d. Evidence that the school district meets the criteria
11 listed in subsection 2.

12 4. The financial assistance under the program shall be in
13 the form of grants, loans, forgivable loans, and loan
14 guarantees. A school district shall not receive more than one
15 million dollars of financial assistance under the program.
16 Financial assistance under the program shall be allocated in
17 the following manner:

18 a. Twenty-five percent of the financial assistance shall
19 be awarded to school districts with an enrollment of two
20 thousand students or less.

21 b. Twenty-five percent of the financial assistance shall
22 be awarded to school districts with an enrollment of more than
23 two thousand students but not more than five thousand
24 students.

25 c. Twenty-five percent of the financial assistance shall
26 be awarded to school districts with an enrollment of more than
27 five thousand students.

28 d. Twenty-five percent of the financial assistance shall
29 be awarded to school districts with any size of enrollment.

30 5. The education infrastructure review committee
31 established in section 12.72 shall make an initial review of
32 all applications submitted under the Iowa education
33 infrastructure program and make recommendations to the
34 department regarding each application. Upon review of the
35 recommendation by the review committee, the department shall

1 approve, deny, or defer each application. In reviewing the
2 applications, the department and review committee shall
3 consider, at a minimum, all of the following:

4 a. The district property tax valuation per pupil. The
5 review committee and department shall give preference to
6 school districts with lower property tax valuations per pupil.

7 b. Any previous effort by a school district to secure
8 infrastructure funding.

9 c. The ability of the school district to secure at least
10 fifty percent of the total capital investment in the project
11 by means other than the issuance of bonds.

12 d. The extent to which the project would allow the school
13 district to meet the infrastructure needs of the school
14 district on a long-term basis.

15 e. The degree of necessity regarding the need of the
16 financial assistance and infrastructure.

17

EXPLANATION

18 This bill creates an Iowa education infrastructure program
19 and fund designed to assist certain school districts with
20 infrastructure needs.

21 The bill provides that a school district may apply to the
22 department of education for assistance under the Iowa
23 education infrastructure program and the financial assistance
24 shall be used for school infrastructure needs. The bill
25 provides that a school district must otherwise secure a
26 minimum of 50 percent of the total capital investment in the
27 project and that a school district that receives any local
28 sales and services tax moneys shall not be eligible under the
29 program. The bill provides that a school district may apply
30 for conditional approval with final approval being contingent
31 on the school district securing the 50 percent requirement
32 within six months of receiving conditional approval. The bill
33 provides that a school district shall not receive more than \$1
34 million of financial assistance under the program. The bill
35 provides that 25 percent of the financial assistance shall be

1 awarded to school districts with an enrollment of 2,000
2 students or less, 25 percent to school districts with an
3 enrollment of more than 2,000 students but not more than 5,000
4 students, 25 percent to school districts with an enrollment of
5 more than 5,000 students, and 25 percent to school districts
6 with any size of enrollment. The bill provides that the
7 education infrastructure review committee shall make an
8 initial review of all applications and make recommendations to
9 the department. The department shall approve, deny, or defer
10 each application. The bill provides that the applications
11 shall be considered based on certain criteria relating to the
12 district property tax valuation per pupil, previous efforts by
13 a school district to secure infrastructure funding, the
14 ability of a school district to secure at least 50 percent of
15 the total capital investment, the project meeting the long-
16 term infrastructure needs of the school district, and the
17 degree of necessity regarding the need of the financial
18 assistance and infrastructure.

19 The bill creates an education infrastructure review
20 committee to make an initial review of applications received
21 under the Iowa education infrastructure program and to make
22 recommendations regarding the applications to the department
23 of education. The committee shall consist of seven members,
24 including the treasurer of state and six members appointed by
25 the governor. The members appointed by the governor shall
26 possess an expertise in public finance issues.

27 The bill creates an Iowa education infrastructure fund as a
28 separate and distinct fund in the state treasury. The bill
29 provides that the fund, beginning July 1, 2000, shall receive
30 moneys each fiscal year from taxes on gaming receipts under
31 Code chapters 99D and 99F in an amount sufficient to make
32 payments on the principal of, premium, if any, and interest on
33 bonds issued by the treasurer of state. The bill provides
34 that the fund shall also consist of any moneys appropriated to
35 the fund by the general assembly, payments of interest or

1 repayments of financial assistance under the program, and
2 moneys received by the treasurer of state pursuant to the
3 issuance of education infrastructure bonds. The bill provides
4 that, if education infrastructure bonds are issued by the
5 treasurer of state, moneys in the fund are appropriated to and
6 for the purpose of paying the principal of, premium, if any,
7 and interest on the bonds.

8 The bill provides the treasurer of state with the authority
9 to issue education infrastructure bonds. The bill provides
10 that, excluding refunding bonds, the treasurer of state shall
11 not issue bonds which result in the deposit of bond proceeds
12 of more than \$100 million credited to the Iowa education
13 infrastructure fund. The bill provides that the treasurer of
14 state may issue refunding bonds. The bill provides that bonds
15 are investment securities and negotiable instruments. The
16 bill provides that the treasurer of state is authorized to
17 pledge amounts deposited in the Iowa education infrastructure
18 fund as security for the payment of the principal, premium, if
19 any, and interest on the bonds. The bill provides that the
20 bonds are payable solely and only out of the moneys, assets,
21 or revenues of the Iowa education infrastructure fund and any
22 bond reserve funds established by the treasurer of state. The
23 bill provides that the bonds are not an indebtedness of the
24 state, or a charge against the general credit or general fund
25 of the state, and the state shall not be liable for the bonds
26 except from amounts on deposit in the fund. The bill provides
27 certain requirements relating to the actual issuance of the
28 bonds, authorization for the issuance of the bonds, and tax
29 exemption status of the bonds.

30 The bill provides that the treasurer of state may create
31 and establish one or more bond reserve funds. The bill
32 provides that moneys in the bond reserve fund shall be used as
33 required solely for the payment of the principal of bonds
34 secured in whole or in part by the fund or of the sinking fund
35 payments with respect to the bonds, the purchase or redemption

1 of the bonds, the payment of interest on the bonds, or the
2 payments of any redemption premium required to be paid when
3 the bonds are redeemed prior to maturity. The bill provides
4 restrictions on when moneys may be withdrawn from the bond
5 reserve funds. The bill provides limitations on when the
6 treasurer of state may issue bonds in relation to the bond
7 reserve fund requirement, which is the amount of money, on any
8 particular date, as provided in the instruments of the
9 treasurer authorizing the bonds with respect to which the fund
10 is established.

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