

# Senate Study Bill 3180

## Bill Text

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1 1 Section 1. NEW SECTION. 256.24 SCHOOL INVESTMENT  
1 2 PARTNERSHIPS PILOT PROGRAM.  
1 3 The department of education shall establish a school  
1 4 investment partnership pilot program to evaluate the  
1 5 effectiveness of private participation in the funding and  
1 6 management of school infrastructure and nonacademic services.  
1 7 The program is intended to shift the responsibility for the  
1 8 operation and financing of school facility construction and  
1 9 maintenance to the private sector, thereby facilitating the  
1 10 focus of public school system resources on enhancing the  
1 11 educational experience of the schoolchildren of Iowa. The  
1 12 pilot program shall involve six pilot projects, to be  
1 13 conducted as follows:  
1 14 1. Each project shall pair one or more private investors  
1 15 and one or more school districts in a partnership involving  
1 16 the shared utilization of school facilities. Private  
1 17 investors shall finance the construction of school facilities,  
1 18 based on school district specifications, and commit to the  
1 19 completion of a fully operational school facility, complete  
1 20 with all classroom furnishings and school facility equipment,  
1 21 by a mutually agreed-upon date.  
1 22 2. The private investor shall lease the facility back to  
1 23 the school district at monthly payment levels below the  
1 24 anticipated cost to the school district had it incurred the  
1 25 school facility construction expenses directly, pursuant to a  
1 26 lease agreement negotiated at the same time that the agreement  
1 27 regarding construction of the school facility is entered into.  
1 28 A lease agreement shall typically extend for a twenty-year  
1 29 duration, with the option to continue the lease at the end of  
1 30 the lease period, and also to permit the purchase of the  
1 31 school facility by the school district at the conclusion of  
1 32 the lease period at an agreed-upon price. Monthly lease  
1 33 payments shall not exceed the present value of an amount  
1 34 equivalent to eighty-five percent of the anticipated final  
1 35 fair market value of the facility at the conclusion of the  
2 1 initial lease term.  
2 2 3. The school district shall retain control over all  
2 3 decisions related to the education of students within the  
2 4 school facility, including the determination of when the  
2 5 facility shall and shall not be utilized by the school  
2 6 district, the uses to which the facility shall be put during  
2 7 periods when school is in session, and access to the facility  
2 8 for after-hours athletic practices, extracurricular  
2 9 activities, staff, parent, and teacher meetings, and other  
2 10 school-related events.  
2 11 4. All costs relating to maintenance of the school  
2 12 facility and ongoing furnishings and equipment replacement  
2 13 shall be the responsibility of the private investor, along  
2 14 with all tax benefits and liabilities relating to the  
2 15 construction and maintenance of the facility.  
2 16 5. The private investor shall retain the right to contract  
2 17 with third parties for use of the school facility during  
2 18 periods when the facility is not being utilized by the school  
2 19 district. The periods of nonutilization by the school  
2 20 district shall be specified in the lease agreement, together  
2 21 with the purposes for which the facility shall be used by

2 22 contracting third parties. If a proposed use is determined by  
2 23 the school district to be inappropriate for an educational  
2 24 facility used by schoolchildren, the proposed use shall not be  
2 25 approved by the school district for inclusion in the lease  
2 26 agreement. The private investor shall agree to maintain the  
2 27 building in the same condition during and after use by a third  
2 28 party as the facility is customarily maintained during periods  
2 29 of utilization by the school district. Possible third party  
2 30 contractors could include, but are not limited to, educational  
2 31 enrichment organizations, civic groups, day care facilities,  
2 32 religious organizations, community colleges, and governmental  
2 33 units.

2 34 6. School districts may submit an application for  
2 35 consideration for the pilot program to the department of  
3 1 education by September 1, 2000. The department shall select a  
3 2 total of six public schools, three located in large school  
3 3 districts and three located in small school districts, to  
3 4 participate in the pilot program. For purposes of this  
3 5 section, a large school district is a district with an actual  
3 6 enrollment of five thousand or more pupils, and a small school  
3 7 district is a district with an actual enrollment of under two  
3 8 thousand pupils. The department shall notify all applicant  
3 9 school districts of the selected applicants by October 1,  
3 10 2000. An application may be considered which would involve a  
3 11 collaborative association of more than one public school in a  
3 12 school district, or more than one school district applying for  
3 13 the construction of a regional facility if the actual  
3 14 enrollment of the combined school districts falls within the  
3 15 definition of a large or a small school district pursuant to  
3 16 this section.

3 17 7. The department shall coordinate the establishment of  
3 18 each pilot program, including the development of criteria to  
3 19 be included in a request for proposals for the selection of  
3 20 one or more private investors for the program, the selection  
3 21 of private investors from among the proposals submitted, the  
3 22 development of school facility construction plans and  
3 23 specifications by the school district, the provision of a  
3 24 dispute resolution process, and oversight with regard to  
3 25 potential third-party contractual uses for the facility and  
3 26 the terms of lease and lease-purchase agreements entered into  
3 27 between the school district and one or more private investors.  
3 28 The department shall prepare and submit an annual report to  
3 29 the general assembly each year for a five-year period, by  
3 30 January 1, regarding the status of each pilot project. The  
3 31 report shall include detailed information regarding perceived  
3 32 advantages and disadvantages of the program, input from school  
3 33 district personnel, students, and parents associated with  
3 34 schools constructed pursuant to the program, and private  
3 35 investors constructing and maintaining the school facility.

#### 4 1 EXPLANATION

4 2 This bill provides for the establishment of a school  
4 3 investment partnership pilot program to evaluate the  
4 4 effectiveness of private participation in the funding and  
4 5 management of school infrastructure and nonacademic services.  
4 6 The bill provides that the purpose of the program is to shift  
4 7 responsibility for the operation and financing of school  
4 8 facility construction and maintenance to one or more private  
4 9 investors, thereby facilitating the focus of public school  
4 10 system resources on enhancing the educational experience of  
4 11 the schoolchildren of Iowa.

4 12 The bill provides that each pilot project shall pair one or  
4 13 more private investors with one or more school districts in a  
4 14 partnership involving the shared utilization of school  
4 15 facilities. Private investors shall finance the construction  
4 16 and furnishing of school facilities based on school district  
4 17 specifications, complete with all classroom furnishings and  
4 18 equipment, and lease the facility back to the school district

4 19 at monthly payment levels below the anticipated cost to the  
4 20 school district had it incurred the school facility  
4 21 construction expenses directly. The bill provides that a  
4 22 lease agreement shall be entered into, typically extending for  
4 23 a 20-year duration, with the option to continue the lease at  
4 24 the end of the lease period, and to permit the purchase of the  
4 25 school facility by the school district at the conclusion of  
4 26 the lease period at an agreed-upon price.

4 27 The bill provides that the school district shall retain  
4 28 control over all decisions related to the education of  
4 29 students within the school facility, and that all costs and  
4 30 tax considerations relating to maintenance of the school  
4 31 facility shall be the responsibility of the private investor.  
4 32 The bill also provides that the private investor shall retain  
4 33 the right to contract with third parties for use of the school  
4 34 facility during periods when the facility is not being  
4 35 utilized by the school district, with the periods available  
5 1 for nonschool district use and the purposes to which the  
5 2 school facility shall be put specified in the lease. The bill  
5 3 provides that if a proposed use is determined by the school  
5 4 district to be inappropriate for an educational facility, the  
5 5 proposed use shall not be approved by the school district for  
5 6 inclusion in the lease agreement, and that the private  
5 7 investor shall agree to maintain the building in the same  
5 8 condition during and after use by a third-party contractor as  
5 9 the facility is customarily maintained during periods of  
5 10 utilization by the school district. The bill provides  
5 11 examples of potential third-party contractors.

5 12 The bill additionally provides that school districts may  
5 13 submit an application for consideration for the pilot program  
5 14 to the department of education by September 1, 2000. The bill  
5 15 provides that the department shall select a total of six  
5 16 public schools, three located in large school districts and  
5 17 three located in small school districts, to participate in the  
5 18 pilot program. The bill defines a large school district to be  
5 19 one with an actual enrollment of 5,000 or more pupils, and a  
5 20 small school district to be one with an actual enrollment of  
5 21 under 2,000 pupils. The bill provides that the department  
5 22 shall notify all applicant school districts of the selected  
5 23 applicants by October 1, 2000, and that applications may  
5 24 involve the association of more than one public school and  
5 25 public school district. The bill provides that the department  
5 26 shall coordinate the establishment of each pilot program,  
5 27 including the development of criteria to be included in  
5 28 requests for proposals and the selection of private investors,  
5 29 the development of school facility construction plans and  
5 30 specifications, provision of a dispute resolution process, and  
5 31 oversight with regard to potential third-party contractual  
5 32 uses for the facility and the terms of lease and lease-  
5 33 purchase agreements. The bill provides that the department  
5 34 shall submit a report to the general assembly by January 1  
5 35 each year for a five-year period regarding the status of each  
6 1 pilot project, which shall include information regarding  
6 2 perceived advantages and disadvantages of the program, input  
6 3 from school district personnel, students, and parents  
6 4 associated with schools constructed pursuant to the program,  
6 5 and private investors constructing and maintaining the school  
6 6 facility.

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