

FEB 17 2004
EDUCATION

HOUSE FILE 2274
BY WILDERDYKE

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

A BILL FOR

1 An Act authorizing school districts to incur indebtedness and
2 issue general obligation bonds for employee health benefit
3 cost increases under specified circumstances.

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

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HF 2274

1 Section 1. Section 296.7, subsection 1, Code 2003, is
2 amended to read as follows:

3 1. A school district or community college corporation may
4 contract indebtedness and issue general obligation bonds or
5 enter into insurance agreements obligating the school district
6 or corporation to make payments beyond its current budget year
7 for one or more of the following mechanisms to protect the
8 school district or corporation from tort liability, loss of
9 property, environmental hazards, or any other risk associated
10 with the operation of the school district or corporation:

- 11 a. To procure or provide for a policy of insurance.
- 12 b. To provide a self-insurance program.
- 13 c. To establish and maintain a local government risk pool.
- 14 d. To cover the cost of health insurance premium rate
15 increases pursuant to subsection 3, paragraph "b".

16 However, this subsection does not apply to an insurance
17 program described in subsection 3, paragraph "a".

18 Sec. 2. Section 296.7, subsection 3, Code 2003, is amended
19 to read as follows:

20 3. a. A school district, providing an insurance program
21 as described in subsection 2, shall not contract indebtedness
22 and issue general obligation bonds or enter into insurance
23 agreements obligating the school district to make payments
24 beyond its current budget year for that employee benefit plan.
25 A school district may, however, apply to the school budget
26 review committee for relief if necessitated by the expenses in
27 the school district's insurance program as described in
28 subsection 2.

29 b. Notwithstanding paragraph "a", a school district may
30 contract indebtedness and issue general obligation bonds
31 pursuant to subsection 1 for health insurance premium rate
32 increases that exceed the school district's three-year moving
33 average rate of premium increase. For purposes of this
34 paragraph, "health insurance" means employee benefit plans
35 providing hospital and surgical, medical expense, major

1 medical, dental, and prescription drug benefits. Bonds issued
2 pursuant to this paragraph shall be issued for a three-year
3 period, in an amount sufficient to pay the cost of an annually
4 redetermined three-year moving average rate of premium
5 increase.

6 Sec. 3. Section 296.7, subsection 4, paragraph b, Code
7 2003, is amended to read as follows:

8 b. Premium on an insurance policy, including a stop loss
9 or reinsurance policy, except as limited by subsection 3,
10 paragraph "a".

11 Sec. 4. Section 296.7, subsection 6, Code 2003, is amended
12 to read as follows:

13 6. Notwithstanding the other provisions of this section or
14 any other statute, the tax levy authorized by this section
15 shall not be used to pay the costs of employee benefits,
16 including, but not limited to costs for hospital and surgical,
17 medical expense, major medical, dental, prescription drug,
18 disability, or life insurance benefits. This subsection shall
19 not apply, however, to levies for the cost of health insurance
20 rate increases that exceed the school district's three-year
21 moving average rate of premium increase pursuant to subsection
22 3, paragraph "b".

23 EXPLANATION

24 This bill provides that a school district may contract
25 indebtedness and issue general obligation bonds for health
26 insurance rate increases that exceed the school district's
27 three-year moving average rate of premium increase. The bill
28 provides that "health insurance" refers to employee benefit
29 plans providing hospital and surgical, medical expense, major
30 medical, dental, and prescription drug benefits. The bill
31 provides that bonds may be issued for a three-year period in
32 an amount sufficient to pay the cost of an annually
33 redetermined three-year moving average rate of premium
34 increase. The bill provides for this authority,
35 notwithstanding Code section 296.7, subsections 3 and 6, which

1 currently prohibit contracting indebtedness and issuing
2 general obligation bonds in connection with hospital and
3 surgical, medical expense, major medical, dental, prescription
4 drug, disability, or life insurance costs or benefits. A tax
5 levy for premium increases as provided in the bill would be
6 included in the district management levy under Code section
7 298.4.

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