

House File 599 - Introduced

HOUSE FILE 599
BY COMMITTEE ON EDUCATION

(SUCCESSOR TO HSB 206)

A BILL FOR

1 An Act relating to the division of assets and liabilities of
2 school districts involved in a reorganization or dissolution
3 and including applicability provisions.

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

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

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

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

27 *c.* The area education agency may retain the services of
28 legal counsel to advise the area education agency regarding the
29 division of the outstanding bonded indebtedness under sections
30 423E.5 and 423F.4 and the adequacy of revenues for the payment
31 or retirement of such bonds by the reorganized districts.

32 *d.* In the action, the area education agency board shall
33 follow the same procedure as is required by sections 275.15 and
34 275.16 for other action on the petition by the area education
35 agency board.

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

3 **275.28 Plan of division of assets and liabilities.**

4 In addition to setting up the territory to comprise the
5 reorganized districts, a reorganization petition shall provide
6 for the division of any outstanding bonds issued under sections
7 423E.5 and 423F.4 by the school districts affected among one
8 or more reorganized school districts and may provide for a
9 division of assets and other liabilities of the old school
10 districts between affected among the reorganized districts or
11 contiguous school districts receiving territory of the school
12 districts affected. If no provision is made in the petition
13 for division of assets and liabilities other than outstanding
14 bonds issued under sections 423E.5 and 423F.4, or if territory
15 is excluded from the reorganized district by the petition or by
16 the area education agency board of directors, the division of
17 all assets and liabilities shall be made under the provisions
18 of sections 275.29 to 275.31.

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

21 **275.29 Division of assets and liabilities after**
22 **reorganization.**

23 1. Between July 1 and July 20, the board of directors of
24 the newly formed school district shall meet with the boards
25 of the school districts affected by the organization of the
26 new school corporation, including the boards of districts
27 receiving territory of the school districts affected, for
28 the purpose of reaching joint agreement on an equitable
29 division of the assets of the several school corporations or
30 parts of school corporations and an equitable distribution
31 of the liabilities of the affected corporations or parts
32 of corporations. In addition, if outstanding bonds are in
33 existence in any district, the initial board of directors of
34 the newly formed school district shall meet with the boards of
35 all school districts affected prior to April 15 prior to the

1 school year the reorganization is effective to determine the
2 distribution of the bonded indebtedness between the districts
3 so that the newly formed district may certify its budget
4 under the procedures specified in chapter 24. The boards
5 shall consider the mandatory levy required in section 76.2
6 and shall assure the satisfaction of outstanding obligations
7 of each affected school corporation. If a school district
8 affected by the reorganization has outstanding bonds issued
9 under sections 423E.5 and 423F.4, the joint agreement shall
10 divide the outstanding bonds among the reorganized districts
11 and the districts receiving territory of the school districts
12 affected in a manner calculated to ensure that the estimated
13 revenue under section 423F.2 for each district to which such
14 bonds are assigned is sufficient for the payment of principal
15 and interest on the outstanding bonds required to be paid in
16 the budget year following reorganization.

17 2. For bonds issued under sections 423E.5 and 423F.4, the
18 approval of the joint agreement creates a lien on the revenues
19 from the secure an advanced vision for education fund received
20 by the reorganized district or district receiving territory
21 from the school district affected to which the divided bonds
22 were assigned, subject to the same priority as provided by the
23 affected school district that issued the bonds.

24 3. If the petition includes plans for the distribution of
25 the all bonded indebtedness and such distribution satisfies
26 the adequacy of funding requirement under subsection 1 for
27 outstanding bonds issued under sections 423E.5 and 423F.4, the
28 exclusion of territory from the reorganized district does not
29 require action pursuant to this section and the approval of the
30 reorganization at election creates a lien on the revenues from
31 the secure an advanced vision for education fund received by
32 the district to which the bonds were distributed, subject to
33 the same priority as provided by the affected school district
34 that issued the bonds.

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

1 follows:

2 **275.30 Arbitration.**

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

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

21 3. a. If a school district affected by the reorganization
22 has outstanding bonds issued under sections 423E.5 and 423F.4,
23 the arbitrators' decision and any decision of the court on
24 appeal shall divide the outstanding bonds among the reorganized
25 districts and the districts receiving territory of the school
26 districts affected in a manner calculated to ensure that the
27 estimated revenue under section 423F.2 for each district to
28 which such bonds are assigned is sufficient for the payment of
29 principal and interest on the outstanding bonds required to be
30 paid in the budget year following reorganization.

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

1 issued the bonds.

2 Sec. 5. Section 275.52, unnumbered paragraph 2, Code 2015,
3 is amended to read as follows:

4 The commission shall request statements from contiguous
5 school districts outlining each district's willingness
6 to accept attachments of the affected school district to
7 the contiguous districts and what conditions, if any, the
8 contiguous school district recommends. If the dissolving
9 school district has outstanding bonds issued under sections
10 423E.5 and 423F.4, each contiguous school district's statement
11 shall include information on the estimated financial impact on
12 the contiguous district if it were to assume liability for the
13 payment of principal and interest on all or a portion of such
14 outstanding bonds. The commission shall meet with boards of
15 contiguous school districts and with residents of the affected
16 school district to the extent possible in drawing up the
17 dissolution proposal. The commission may seek assistance from
18 the area education agency and the department of education.

19 Sec. 6. Section 275.53, subsection 1, Code 2015, is amended
20 to read as follows:

21 1. The commission shall send a copy of its dissolution
22 proposal or shall inform the board that it cannot agree upon
23 a dissolution proposal not later than one year following the
24 date of the organizational meeting of the commission. If the
25 dissolving school district has outstanding bonds issued under
26 sections 423E.5 and 423F.4, the proposal shall designate one
27 or more contiguous school districts to assume liability for
28 the payment of principal and interest on all or a portion of
29 such bonds. The dissolving school district may retain the
30 services of legal counsel to advise the commission regarding
31 the division of such bonds and adequacy of revenues for
32 the outstanding bonded indebtedness under sections 423E.5
33 and 423F.4. The commission shall also send a copy of the
34 dissolution proposal to the boards of directors of all school
35 districts to which area of the affected school district will

1 be attached. If the board of a district to which area of
2 the affected school district will be attached objects to
3 the attachment, within ten days following receipt of the
4 dissolution proposal the board shall send its objections in
5 writing to the commission. The commission may consider the
6 objections and may modify the dissolution proposal. If the
7 dissolution proposal is modified, the commission shall notify
8 the boards of directors of all school districts to which area
9 of the affected school district will be attached.

10 Sec. 7. Section 275.54, subsection 4, Code 2015, is amended
11 to read as follows:

12 4. a. If the board of a district to which area of
13 the affected school district will be attached objects to
14 the division of assets and liabilities contained in the
15 dissolution proposal, the matter shall be decided by a panel
16 of disinterested arbitrators. The panel shall consist of one
17 arbitrator selected by each affected district objecting to the
18 provisions of the dissolution proposal, one selected by each
19 affected district in favor of the provisions of the dissolution
20 proposal, and one selected by each dissolving district. If
21 the number of arbitrators selected is even, a disinterested
22 arbitrator shall be selected by the administrator of the area
23 education agency to which the dissolving district or districts
24 belong. The decision of the arbitrators shall be made in
25 writing and filed with the secretary of the new corporation.
26 A party to the proceedings may appeal the decision to the
27 district court by serving notice on the secretary of the new
28 school corporation within twenty days after the decision is
29 filed. The appeal shall be tried in equity and a decree
30 entered determining the entire matter, including the levy,
31 collection, and distribution of any necessary taxes.

32 b. If the dissolving district has outstanding bonds issued
33 under sections 423E.5 and 423F.4, the arbitrators' decision
34 and any decision of the court on appeal shall divide the
35 outstanding bonds among the districts to which the territory of

1 the dissolving district are attached in a manner calculated to
2 ensure that the estimated revenue under section 423F.2 for each
3 district to which such bonds are assigned is sufficient for
4 the payment of principal and interest on the outstanding bonds
5 required to be paid in the budget year following dissolution.

6 Sec. 8. Section 275.55, Code 2015, is amended by adding the
7 following new subsection:

8 NEW SUBSECTION. 5. For bonds issued under sections 423E.5
9 and 423F.4, the approval of the dissolution at election creates
10 a lien on the revenues from the secure an advanced vision for
11 education fund received by the district to which such bonds
12 are assigned in the proposal, subject to the same priority as
13 provided by the affected school district that issued the bonds.

14 Sec. 9. APPLICABILITY. This Act applies to reorganization
15 petitions and dissolution proposals filed under chapter 275 on
16 or after July 1, 2015.

17

EXPLANATION

18 The inclusion of this explanation does not constitute agreement with
19 the explanation's substance by the members of the general assembly.

20 This bill relates to the division of assets and liabilities
21 of school districts involved in a reorganization or
22 dissolution.

23 Current Code section 275.28 provides that in addition to
24 setting up the territory to comprise the reorganized districts,
25 a reorganization petition may provide for a division of
26 assets and liabilities of the old districts between the newly
27 reorganized districts. The bill requires a reorganization
28 petition to provide for the division of any outstanding
29 bonds issued under Code sections 423E.5 and 423F.4 (secure
30 an advanced vision for education fund bonds for school
31 infrastructure) by the school districts affected among one or
32 more reorganized school districts.

33 The bill provides that the review of certain school district
34 reorganization petitions by the area education agency board
35 shall include a review of the proposal for dividing outstanding

1 bonds issued under Code sections 423E.5 and 423F.4, to ensure
2 that each reorganized district's estimated revenues under Code
3 section 423F.2 are sufficient for the payment of principal
4 and interest on the outstanding bonds required to be paid in
5 the budget year following the reorganization. The bill also
6 authorizes the area education agency board to change or amend
7 the proposal in any manner, including to specify a different
8 division for the reorganized districts or a different method
9 of payment or retirement of the bonds as may be required by
10 law, justice, equity, and the interest of the people. The area
11 education agency may retain the services of legal counsel to
12 advise the area education agency regarding the division of the
13 outstanding bonded indebtedness under Code sections 423E.5
14 and 423F.4 and the adequacy of revenues for the payment or
15 retirement of such bonds by the reorganized districts.

16 The bill specifies that for bonds issued under Code sections
17 423E.5 and 423F.4, the approval of the reorganization at
18 election creates a lien on the revenues from the secure an
19 advanced vision for education fund received by the reorganized
20 district designated in the proposal approved by the area
21 education agency, subject to the same priority as provided by
22 the affected school district that issued the bonds.

23 The bill also establishes similar requirements for the
24 division of outstanding bonds issued under Code sections 423E.5
25 and 423F.4, the determination of sufficient revenues for the
26 payment of such bonds, and the creation of liens for the
27 payment of such bonds when the board of directors of a newly
28 formed school district adopts a joint agreement on the division
29 of assets and liabilities, when failure to adopt a joint
30 agreement on the division of assets and liabilities results
31 in an arbitration decision, and when the arbitration decision
32 regarding the division of assets and liabilities is appealed
33 to the district court.

34 Under the bill, as part of preparing a dissolution proposal
35 initiated by a school district dissolution commission, if the

1 dissolving school district has outstanding bonds issued under
2 Code sections 423E.5 and 423F.4, the statement requested by the
3 commission from each contiguous school district must include
4 information on the estimated financial impact on the contiguous
5 district if it were to assume liability for the payment of
6 principal and interest on all or a portion of such outstanding
7 bonds.

8 The bill also requires a school district dissolution
9 commission's proposal to designate one or more contiguous
10 school districts to assume liability for the payment of
11 principal and interest on all or a portion of outstanding
12 bonds issued by the dissolving district under Code sections
13 423E.5 and 423F.4. The bill authorizes the dissolving school
14 district to retain the services of legal counsel to advise the
15 commission regarding the division of such bonds and adequacy of
16 revenues for the outstanding bonded indebtedness.

17 The bill also establishes similar requirements for the
18 division of outstanding bonds issued under Code sections 423E.5
19 and 423F.4 and the determination of sufficient revenues for the
20 payment of such bonds when the dissolution proposal is subject
21 to arbitration and appeal to the district court. For bonds
22 issued under Code sections 423E.5 and 423F.4, the approval of
23 the dissolution at election creates a lien on the revenues
24 from the secure an advanced vision for education fund received
25 by the district to which such bonds are assigned in the
26 dissolution proposal, subject to the same priority as provided
27 by the affected school district that issued the bonds.

28 The bill applies to school district reorganization petitions
29 and dissolution proposals filed under Code chapter 275 on or
30 after July 1, 2015.