

House File 153 - Introduced

HOUSE FILE 153

BY PAUSTIAN

A BILL FOR

1 An Act relating to school district funding by establishing
2 a district cash reserve budget adjustment, modifying
3 limitations on school district cash reserves, and including
4 effective date provisions.

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

1 Section 1. Section 257.2, subsection 2, Code 2017, is
2 amended by striking the subsection.

3 Sec. 2. NEW SECTION. **257.14A District cash reserve budget**
4 **adjustment.**

5 1. The board of directors of a school district that wishes
6 to receive the budget adjustment under this section may adopt a
7 resolution approving the budget adjustment by May 15 preceding
8 the budget year and shall within ten days of adoption of the
9 resolution notify the department of management of the amount
10 of the budget adjustment approved, subject to the limitations
11 of subsection 2, paragraph "a".

12 2. *a.* For budget years beginning on or after July 1,
13 2018, each school district that approved a budget adjustment
14 under subsection 1 shall receive a budget adjustment for that
15 budget year not to exceed an amount equal to the difference
16 between the school district's cash reserve balance for the
17 year previous to the base year and five percent of the school
18 district's general fund expenditures for the year previous to
19 the base year minus the unexpended fund balance, as defined
20 in section 257.2, for the year previous to the base year.
21 The resolution adopted under subsection 1 may specify a
22 budget adjustment amount that is less than the maximum amount
23 authorized under this paragraph.

24 *b.* The school district shall fund the budget adjustment
25 by using cash reserve funds. Amounts used to fund the budget
26 adjustment may be used by the school district for any school
27 general fund purpose.

28 3. A budget adjustment received under this section shall
29 not affect the eligibility for or amount of any other budget
30 adjustment authorized by law for the same budget year. In
31 addition, a budget adjustment under this section shall be
32 limited to the budget year for which the adjustment was
33 authorized and shall not be included in any computation of a
34 school district's cost for any future budget year.

35 Sec. 3. Section 257.34, Code 2017, is amended to read as

1 follows:

2 **257.34 Cash reserve information.**

3 1. If a school district receives less state school
4 foundation aid under [section 257.1](#) than is due under that
5 section for a base year and the school district uses funds
6 from its cash reserve during the base year to make up for
7 the amount of state aid not paid, the board of directors of
8 the school district shall include in its general fund budget
9 document information about the amount of the cash reserve used
10 to replace state school foundation aid not paid.

11 2. If a school district uses funds from its cash reserve
12 during the base year to fund a budget adjustment under section
13 257.14A, the board of directors of the school district shall
14 include in its general fund budget document information about
15 the amount of the cash reserve used for such purpose.

16 Sec. 4. Section 298.10, subsection 2, Code 2017, is amended
17 by striking the subsection and inserting in lieu thereof the
18 following:

19 2. For fiscal years beginning on or after July 1, 2012, if
20 the school budget review committee determines that a school
21 district's unexpended fund balance is in excess of the amount
22 necessary for operations, the school budget review committee
23 shall direct the school district to use the unexpended fund
24 balance in lieu of levying property taxes and shall direct the
25 department of management to limit the school district's cash
26 reserve levy to a level that is not excessive as determined by
27 the school budget review committee and does not exceed the cash
28 reserve limitation in subsection 3.

29 Sec. 5. Section 298.10, subsection 3, Code 2017, is amended
30 to read as follows:

31 3. a. For fiscal years beginning on or after July 1,
32 2012, but before July 1, 2017, the cash reserve levy for a
33 budget year shall not exceed twenty percent of the general fund
34 expenditures for the year previous to the base year minus the
35 unexpended fund balance, as defined in [section 257.2](#), for the

1 year previous to the base year.

2 b. For fiscal years beginning on or after July 1, 2017,
3 the cash reserve levy for a budget year shall not exceed ten
4 percent of the general fund expenditures for the year previous
5 to the base year minus the unexpended fund balance, as defined
6 in section 257.2, for the year previous to the base year.

7 Sec. 6. EFFECTIVE DATE. This Act, being deemed of immediate
8 importance, takes effect upon enactment.

9

EXPLANATION

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

12 This bill establishes a district cash reserve budget
13 adjustment and modifies limitations on the amount of allowable
14 school district cash reserves. The board of directors of a
15 school district may annually adopt a resolution to receive
16 the budget adjustment authorized in the bill. Within 10 days
17 of adoption of the resolution, the board of directors must
18 notify the department of management of the amount of the budget
19 adjustment requested.

20 For budget years beginning on or after July 1, 2018, each
21 school district that approved a budget adjustment for that
22 budget year shall receive an adjustment in an amount not to
23 exceed the difference between the school district's cash
24 reserve balance for the year previous to the base year and
25 5 percent of the school district's general fund expenditures
26 for the year previous to the base year minus the unexpended
27 fund balance for the year previous to the base year. The
28 budget adjustment amount may be less than the maximum amount
29 authorized under the bill. The bill requires the school
30 district to fund the budget adjustment using cash reserve
31 funds.

32 The bill specifies that the budget adjustment received does
33 not affect the eligibility for or amount of any other budget
34 adjustment authorized by law for the same budget year and that
35 the budget adjustment under the bill is limited to the budget

1 year for which the adjustment was authorized and shall not be
2 included in any computation of a school district's cost for any
3 future budget year.

4 Under the bill, if a school district uses funds from its
5 cash reserve during the base year to fund a budget adjustment
6 authorized in the bill, the board of directors of the school
7 district shall include in its general fund budget document
8 information about the amount of the cash reserve used for such
9 purpose.

10 Currently, Code section 298.10 directs the department of
11 management to limit the school district's cash reserve levy to
12 a level that is not in excess of 20 percent of the general fund
13 expenditures for the year previous to the base year minus the
14 unexpended fund balance for the year previous to the base year.
15 The bill provides that for fiscal years beginning on or after
16 July 1, 2017, the cash reserve levy for a budget year shall not
17 exceed 10 percent of the general fund expenditures for the year
18 previous to the base year minus the unexpended fund balance for
19 the year previous to the base year.

20 The bill takes effect upon enactment.