HOUSE FILE 546
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 425)
(SUCCESSOR TO HSB 18)

(As Amended and Passed by the House March 13, 2019)
[= New Language by the House
* = Language Stricken by the House

A BILL FOR

An Act relating to school funding by modifying provisions relating to the collection of sales tax for deposit in the secure an advanced vision for education fund, provisions relating to the use of tax revenue from the secure an advanced vision for education fund, and provisions relating to the calculation of the additional property tax levy, and making appropriations.

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

Section 1. Section 257.2, subsection 8, Code 2019, is amended by adding the following new paragraph:

NEW PARAGRAPH. *e.* Foundation base supplement payments received under section 257.16D.

Sec. 2. Section 257.4, subsection 1, paragraph a, Code 2019, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (10) The amount of the foundation base supplement payment to be received by the school district under section 257.16D.

Sec. 3. Section 257.4, subsection 1, paragraph b, Code 2019, is amended to read as follows:

b. For the budget year beginning July 1, 2008, and succeeding budget years, the department of management shall annually determine an adjusted additional property tax levy and a statewide maximum adjusted additional property tax levy rate, not to exceed the statewide average additional property tax levy rate, calculated by dividing the total adjusted additional property tax levy dollars statewide by the statewide total net taxable valuation. For purposes of this paragraph, the adjusted additional property tax levy shall be that portion of the additional property tax levy corresponding to the state cost per pupil multiplied by a school district's weighted enrollment, and then multiplied by one hundred percent less the regular program foundation base per pupil percentage pursuant to section 257.1, and then reduced by the amount of the property tax replacement payment to be received under section 257.16B and the amount of the foundation base supplement payment to be received under section 257.16D. The district shall receive adjusted additional property tax levy aid in an amount equal to the difference between the adjusted additional property tax levy rate and the statewide maximum adjusted additional property tax levy rate, as applied per thousand dollars of assessed valuation on all taxable property in the district. The statewide maximum adjusted additional property tax levy rate shall be annually determined by the

department taking into account amounts allocated pursuant to section 257.15, subsection 4, and the balance of the property tax equity and relief fund created in section 257.16A at the end of the calendar year.

Sec. 4. Section 257.15, subsection 4, paragraph b, Code 2019, is amended to read as follows:

b. After lowering all school district adjusted additional property tax levy rates to the statewide maximum adjusted additional property tax levy rate under paragraph "*a*", the department of management shall use any remaining funds at the end of the calendar year to further lower additional property taxes by increasing for the budget year beginning the following July 1, the ~~state~~ regular program foundation base per pupil percentage under section 257.1. Moneys used pursuant to this paragraph shall supplant an equal amount of the appropriation made from the general fund of the state pursuant to section 257.16 that represents the increase in state foundation aid.

Sec. 5. NEW SECTION. **257.16D Foundation base supplement fund.**

1. A foundation base supplement fund is created as a separate and distinct fund in the state treasury under the control of the department of management. Moneys in the fund include revenues credited to the fund, appropriations made to the fund, and other moneys deposited into the fund.

2. *a.* There is appropriated annually from the fund to the department of management an amount necessary to make all foundation base supplement payments under this section. The department of management shall calculate each school district's foundation base supplement payment based on the distribution methodology under paragraph "*b*".

b. The moneys available in a fiscal year in the foundation base supplement fund shall be distributed by the department of management to each school district on a per pupil basis calculated using each school district's weighted enrollment, as defined in section 257.6, for that fiscal year. However,

the amount of a school district's foundation base supplement payment for a budget year shall not exceed an amount equal to the school district's weighted enrollment for the budget year multiplied by the amount for the budget year calculated under section 257.16B, subsection 2, paragraph "*f*", subparagraph (2), minus the amount of the school district's property tax replacement payment under section 257.16B for the budget year.

3. Notwithstanding section 8.33, any moneys remaining in the foundation base supplement fund at the end of a fiscal year shall not revert to any other fund but shall remain in the foundation base supplement fund for use as provided in this section for the following fiscal year.

Sec. 6. NEW SECTION. **257.51 Career academy fund — grant program.**

1. A career academy fund is created and established as a separate and distinct fund in the state treasury under the control of the department of education.

2. *a.* In addition to moneys deposited in the career academy fund pursuant to section 423F.2, the department of education may accept gifts, grants, bequests, and other private contributions, as well as state or federal funds, and shall deposit the moneys in the fund to be used for purposes of this section. Moneys in the fund are appropriated to the department of education and shall be used for the purposes of this section.

b. Notwithstanding section 8.33, moneys in the fund that remain unencumbered or unobligated at the close of the fiscal year shall not revert but shall remain available for expenditure for the purposes of this section in succeeding fiscal years. Notwithstanding section 12C.7, subsection 2, interest earned on moneys in the career academy fund shall be credited to the fund.

3. The department of education shall adopt rules to establish and administer a career academy grant program to provide for the allocation of money in the fund in

the form of competitive grants, not to exceed one million dollars per grant, to school corporations for career academy infrastructure, career academy equipment, or both, in accordance with the goals of this section and to further the goals of the establishment and operation of career academies under section 258.15. The rules adopted by the department of education shall specify the eligibility of applicants and eligible items for grant funding. Priority for grants shall first be given to applications to establish new career academies that are organized as regional centers pursuant to chapter 258. Subsequent priority shall be given to applications for expanding existing career academies.

Sec. 7. Section 423.2, subsection 12, Code 2019, is amended to read as follows:

12. The sales tax rate of six percent is reduced to five percent on January 1, ~~2030~~ 2051.

Sec. 8. Section 423.2A, subsection 2, paragraph c, Code 2019, is amended to read as follows:

c. Transfer one-sixth of the remaining revenues to the secure an advanced vision for education fund created in section 423F.2. This paragraph "*c*" is repealed ~~December 31, 2029~~ January 1, 2051.

Sec. 9. Section 423.5, subsection 4, Code 2019, is amended to read as follows:

4. The use tax rate of six percent is reduced to five percent on January 1, ~~2030~~ 2051.

Sec. 10. Section 423.43, subsection 1, paragraph b, Code 2019, is amended to read as follows:

b. Subsequent to the deposit into the general fund of the state and after the transfer of such revenues collected under chapter 423B, the department shall transfer one-sixth of such remaining revenues to the secure an advanced vision for education fund created in section 423F.2. This paragraph is repealed ~~December 31, 2029~~ January 1, 2051.

Sec. 11. Section 423F.2, subsection 3, Code 2019, is amended

to read as follows:

3. *a.* The moneys available in a fiscal year in the secure an advanced vision for education fund shall be distributed by the department of revenue to each school district on a per pupil basis calculated using each school district's budget enrollment, as defined in section 257.6, for that fiscal year.

b. (1) Prior to distribution of moneys in the secure an advanced vision for education fund to school districts, ~~two and one-tenths percent of the moneys available in a~~ an amount equal to the equity transfer amount for the fiscal year minus the foundation base transfer amount for the fiscal year shall be distributed and credited to the property tax equity and relief fund created in section 257.16A, an amount equal to the foundation base transfer amount shall be distributed and credited to the foundation base supplement fund created in section 257.16D, and an amount equal to the career academy transfer amount for the fiscal year shall be distributed and credited to the career academy fund created in section 257.51.

(2) For purposes of this subsection, the equity transfer amount is determined by multiplying the equity transfer percentage by the amount of moneys available in the secure an advanced vision for education fund in the fiscal year.

(a) For the fiscal year beginning July 1, 2018, the equity transfer percentage is two and one-tenth percent. [For the fiscal year beginning July 1, 2019, the equity transfer percentage is three and one-tenth percent.]

* (b) For each fiscal year beginning on or after July 1, [2020], the equity transfer percentage is equal to the equity transfer percentage for the immediately preceding fiscal year, unless the amount of moneys available in the secure an advanced vision for education fund in the immediately preceding fiscal year equals or exceeds one hundred two percent of the amount of moneys available in the fund for the fiscal year prior to the immediately preceding fiscal year, in which case the equity transfer percentage shall be the equity transfer percentage for

the immediately preceding fiscal year plus one percent subject to the limitation in subparagraph division (c).

(c) If the equity transfer percentage calculated under subparagraph division (b) exceeds [fifteen] percent, the equity transfer percentage for that fiscal year shall be [fifteen] percent.

[(3) For purposes of this subsection, the foundation base transfer amount for the fiscal year beginning July 1, 2019, is zero, and for each fiscal year beginning on or after July 1, 2020, the foundation] base transfer amount equals the equity transfer amount for the fiscal year under subparagraph (2) minus the sum of the following:

(a) [Three] and one-tenth percent of the amount of the moneys available in the secure an advanced vision for education fund in the fiscal year.

(b) [One-half] of the product of the equity transfer percentage for the fiscal year minus [three] and one-tenth percent multiplied by the moneys available in the secure an advanced vision for education fund in the fiscal year.

(4) (a) For purposes of this subsection, the career academy transfer amount for the fiscal year beginning July 1, 2019, is one million dollars.

(b) For each fiscal year beginning on or after July 1, 2020, the career academy transfer amount is equal to the lesser of five million dollars or the amount of the career academy transfer amount for the immediately preceding fiscal year, unless the amount of moneys available in the secure an advanced vision for education fund in the immediately preceding fiscal year equals or exceeds one hundred two and one-half percent of the amount of moneys available in the fund for the fiscal year prior to the immediately preceding fiscal year, in which case the career academy transfer amount equals the lesser of five million dollars or the sum of the amount of the career academy transfer amount for the immediately preceding fiscal year plus one-half percent of the amount of moneys available in the

secure an advanced vision for education fund in the fiscal year following the deposit of revenues in the property tax equity and relief fund and the foundation base supplement fund.

Sec. 12. Section 423F.3, subsection 3, paragraph b, Code 2019, is amended to read as follows:

b. (1) If the board of directors intends to use funds for purposes other than those listed in paragraph "*a*", or change the use of funds to purposes other than those listed in paragraph "*a*", the board shall adopt a revenue purpose statement or amend an existing revenue purpose statement, subject to approval of the electors, listing the proposed use of the funds. ~~School districts shall submit the statement to the voters no later than sixty days prior to the expiration of any existing revenue purpose statement or change in use not included in the existing revenue purpose statement.~~

(2) (a) Notwithstanding any provision of law to the contrary, for each school district with an existing revenue purpose statement for the use of revenues from the secure an advanced vision for education fund adopted under this paragraph or adopted under another provision of law before July 1, 2019, such revenue purpose statement shall terminate and be of no further force and effect on January 1, 2031, or the expiration date of the revenue purpose statement, whichever is earlier. If such a school district intends to use funds for purposes other than those listed in paragraph "*a*" and does not intend to operate without a revenue purpose statement on or after January 1, 2031, or the expiration date of the revenue purpose statement, whichever is earlier, the board of directors shall submit a revenue purpose statement for approval by the electors under subparagraph (1) on or after July 1, 2019, and such revenue purpose statement submitted to the electors shall include all proposed uses including those previously approved by the electors, if applicable. The following, in substantially the following form, shall be included in the notice of the election published under paragraph "*d*" and

published on the school district's internet site:

If a majority of eligible electors voting on the question fail to approve this revenue purpose statement, revenues received by the school district from the secure an advanced vision for education fund shall first be expended for . . . . (State the purposes in the order listed in subsection 1 and as required by subsection 4 of this section for which the revenues received by the school district under this chapter will be expended.)

(b) Unless a new revenue purpose statement is adopted by the electors, the existing revenue purpose statement remains in effect until January 1, 2031, or the expiration date of the revenue purpose statement, whichever is earlier. If a revenue purpose statement is terminated under the provisions of this subparagraph, such termination shall not affect the validity of or a first lien on bonds issued under section 423E.5, Code 2019, or section 423F.5 prior to the date the revenue purpose statement is terminated under subparagraph division (a), or the validity of a contract or other obligation of the school district secured in whole or in part by or requiring the payment of funds received under this chapter in effect prior to the date the revenue purpose statement is terminated under subparagraph division (a).

Sec. 13. Section 423F.3, subsection 5, paragraph b, Code 2019, is amended to read as follows:

b. The ~~infeasibility~~ cost-benefit analysis of remodeling, reconstructing, or repairing existing buildings.

Sec. 14. Section 423F.3, subsection 5, Code 2019, is amended by adding the following new paragraph:

NEW PARAGRAPH. *i.* Benefits and effects of the new construction on student learning.

Sec. 15. Section 423F.3, subsection 6, Code 2019, is amended by adding the following new paragraph:

NEW PARAGRAPH. *0d.* Additionally, "*school infrastructure*" includes school safety and security infrastructure. For

purposes of this paragraph, *"school safety and security infrastructure"* includes but is not limited to safe rooms, remote entry technology and equipment, security camera systems, card access systems, and communication systems with access to fire and police emergency frequencies. For purposes of this paragraph, *"school safety and security infrastructure"* does not include the cost of personnel, development of safety and security plans, or training related to the implementation of safety and security plans. It is the intent of the general assembly that each school district prioritize the use of revenues under this chapter for secure entries for the district's attendance centers before expending such revenues for athletic facility infrastructure projects.

Sec. 16. Section 423F.3, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 6A. *a.* Prior to approving the use of revenues received under this chapter for an athletic facility infrastructure project within the scope of the school district's approved revenue purpose statement or pursuant to subsection 4 for a school district without an approved revenue statement, the board of directors shall adopt a resolution setting forth the proposal for the athletic facility infrastructure project and hold an additional public hearing on the issue of construction of the athletic facility. Notice of the time and place of the public hearing shall be published not less than ten nor more than twenty days before the public hearing in a newspaper which is a newspaper of general circulation in the school district. If at any time prior to the fifteenth day following the hearing, the secretary of the board of directors receives a petition containing the required number of signatures and asking that the question of the approval of the use of revenues for the athletic facility infrastructure project be submitted to the voters of the school district, the board of directors shall either rescind the board's resolution for the use of revenues for

the athletic facility infrastructure project or direct the county commissioner of elections to submit the question to the registered voters of the school district at an election held on a date specified in section 39.2, subsection 4, paragraph *"c"*. The petition must be signed by eligible electors equal in number to not less than one hundred or thirty percent of the number of voters at the last preceding election of school officials under section 277.1, whichever is greater. If a majority of those voting on the question favors the use of the revenues for the athletic facility infrastructure project, the board shall be authorized to approve such use by resolution of the board. If a majority of those voting on the question does not favor the use of the revenues for the athletic facility infrastructure project, the board of directors shall rescind the board's resolution for the use of revenues for the athletic facility infrastructure project. If a petition is not received by the board of directors within the prescribed time period, the board of directors may approve the use of revenues for the athletic facility infrastructure project without voter approval.

b. After fourteen days from the date of the hearing under paragraph *"a"* or fourteen days after the date of the election held under paragraph *"a"*, if applicable, whichever is later, an action shall not be brought questioning the board of directors' authority to use funds for the athletic facility infrastructure project or questioning the legality of any proceedings in connection with the authorization of such use.

c. For purposes of this subsection:

(1) *"Athletic facility"* means a building or structure, or portion thereof, that is not physically attached to a student attendance center.

(2) *"Athletic facility infrastructure project"* means a school infrastructure project that includes in whole or in part the construction of an athletic facility.

(3) *"Construction"* does not include repair or maintenance

of an existing facility.

Sec. 17. Section 423F.4, Code 2019, is amended to read as follows:

423F.4 Borrowing authority for school districts.

1. ~~A~~ Subject to the conditions established under subsection 2, a school district may anticipate its share of the revenues under section 423F.2 by issuing bonds in the manner provided in section 423E.5, Code 2019. However, to the extent any school district has issued bonds anticipating the proceeds of an extended local sales and services tax for school infrastructure purposes imposed by a county pursuant to former chapter 423E, Code and Code Supplement 2007, prior to July 1, 2008, the pledge of such revenues for the payment of principal and interest on such bonds shall be replaced by a pledge of its share of the revenues under section 423F.2.

2. *a.* Bonds issued on or after July 1, 2019, shall not be sold at public sale as provided in chapter 75, or at a private sale, without notice and hearing. Notice of the time and place of the public hearing shall be published not less than ten nor more than twenty days before the public hearing in a newspaper which is a newspaper of general circulation in the school district.

b. For bonds subject to the requirements of paragraph "*a*", if at any time prior to the fifteenth day following the hearing, the secretary of the board of directors receives a petition containing the required number of signatures and asking that the question of the issuance of such bonds be submitted to the voters of the school district, the board shall either rescind its adoption of the resolution or direct the county commissioner of elections to submit the question to the registered voters of the school district at an election held on a date specified in section 39.2, subsection 4, paragraph "*c*". The petition must be signed by eligible electors equal in number to not less than one hundred or thirty percent of the number of voters at the last preceding election of school

officials under section 277.1, whichever is greater. If the board submits the question at an election and a majority of those voting on the question favors issuance of the bonds, the board shall be authorized to issue the bonds.

c. After fourteen days from the date of the hearing under paragraph "*a*" or fourteen days after the date of the election held under paragraph "*b*", if applicable, whichever is later, an action shall not be brought questioning the legality of any bonds or the power of the authority to issue any bonds or to the legality of any proceedings in connection with the authorization or issuance of the bonds.

Sec. 18. Section 423F.6, Code 2019, is amended to read as follows:

423F.6 Repeal.

This chapter is repealed ~~December 31, 2029~~ January 1, 2051.

Sec. 19. STATE MANDATE FUNDING SPECIFIED. In accordance with section 25B.2, subsection 3, the state cost of requiring compliance with any state mandate included in this Act shall be paid by a school district from state school foundation aid received by the school district under section 257.16. This specification of the payment of the state cost shall be deemed to meet all of the state funding-related requirements of section 25B.2, subsection 3, and no additional state funding shall be necessary for the full implementation of this Act by and enforcement of this Act against all affected school districts.