

**CHAPTER 231****LOTTERY REVENUES APPROPRIATED AND ALLOCATED***S.F. 515*

**AN ACT** relating to the allocations and appropriations of lottery revenues and the programs for which the revenues may be used.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section 99E.9, Code 1987, is amended by adding the following new subsection:  
**NEW SUBSECTION.** In making decisions relating to the marketing or advertising of the Iowa lottery and the various games offered, the board shall give consideration to marketing or advertising through Iowa-based advertising agencies and media outlets.

Sec. 2. Section 99E.10, subsection 1, unnumbered paragraph 3, Code 1987, is amended to read as follows:

The Iowa plan fund for economic development, also to be known as the Iowa plan fund, is created in the office of the treasurer of state. Lottery revenue remaining after expenses are determined shall be transferred to the Iowa plan fund on a quarterly monthly basis. Revenues generated during the last quarter month of the fiscal year which are transferred to the Iowa plan fund during the following fiscal year shall be considered revenues transferred during the previous fiscal year for purposes of the allotments made to and appropriations made from the separate accounts in the Iowa plan fund for that previous fiscal year. However, upon the request of the director and subject to approval by the treasurer of state, an amount sufficient to cover the foreseeable administrative expenses of the lottery for a period of twenty-one days may be retained from the lottery revenue. Prior to the quarterly monthly transfer to the Iowa plan fund, the director may direct that lottery revenue shall be deposited in the lottery fund and in interest bearing accounts designated by the treasurer of state in the financial institutions of this state or invested in the manner provided in section 452.10. Interest or earnings paid on the deposits or investments is considered lottery revenue and shall be transferred to the Iowa plan fund in the same manner as other lottery revenue. Money in the Iowa plan fund shall be deposited in interest bearing accounts in financial institutions in this state or invested in the manner provided in section 452.10. The interest or earnings on the deposits or investments shall be considered part of the Iowa plan fund and shall be retained in the fund unless appropriated by the general assembly.

Sec. 3. Section 99E.20, subsection 2, Code 1987, is amended to read as follows:

2. A lottery fund is created in the office of the treasurer of state. The fund consists of all revenues received from the sale of lottery tickets or shares and all other moneys lawfully credited or transferred to the fund. The commissioner shall certify quarterly monthly that portion of the fund that is transferred to the Iowa plan fund under section 99E.10 and shall cause that portion to be transferred to the Iowa plan fund of the state. The commissioner shall certify before the twentieth of each month that portion of the fund resulting from the previous month's sales to be transferred to the Iowa plan fund.

Sec. 4. Section 99E.31, subsection 2, unnumbered paragraph 2, Code 1987, is amended by striking the paragraph and inserting in lieu thereof the following:

Only a political subdivision of the state may apply to receive funds for any of the above purposes. The political subdivision shall make application to the department of economic development specifying the purpose for which the funds will be used. In ranking applications for funds, the department shall consider a variety of factors including, but not limited to:

- (1) The proportion of local match to be provided.
- (2) The proportion of private contribution to be provided, including the involvement of financial institutions.

(3) The total number of jobs to be created or retained.

(4) The size of the business receiving assistance. The department shall award more points to small businesses as defined by the United States small business administration.

(5) The potential for future growth in the industry represented by the business being considered for assistance.

(6) The need of the business for financial assistance from governmental sources. More points shall be awarded to a business which the department determines that governmental assistance is most necessary to the success of the project.

(7) The quality of the jobs to be created. In rating the quality of the jobs the department shall award more points to those jobs that have a higher wage scale, have a lower turnover rate, are full-time or career-type positions, or have other related factors.

*\*(8) More points shall be awarded for providing loans over grants. Loans in excess of fifty thousand dollars involving a city or county, if the city or county has established a special economic development fund to which repayments of interest would be credited and from which moneys would be used solely for additional economic development projects or purposes, shall be made on the following terms: principal payments shall be paid to the community economic betterment account; interest payments shall be paid to the city or county making the loan; and the city or county shall supervise and enforce the terms of the loan and the cost of supervision and enforcement shall be borne and paid by the city or county from funds other than those received as interest payments on economic development loans. The department shall document all repayments of project loans made through the community economic betterment program. During each legislative session the department shall report to the economic development appropriation subcommittees concerning the expected loan repayments to be collected for the respective fiscal year and the nature and purposes of how the funds resulting from the loan repayments are to be expended.\**

(9) The level of need of the political subdivision.

(10) The impact of the proposed project on the economy of the political subdivision.

*\*(11) The impact of the proposed project on other businesses in competition with the business being considered for assistance. The department shall identify existing businesses within an industry in competition with the business being considered for assistance. The department shall determine the probability that the proposed financial assistance will displace employees of the existing businesses and shall consider the level of excess production capacity within an industry when making this determination. In determining the impact on businesses in competition with the business being considered for assistance, jobs created as a result of other jobs being displaced elsewhere in the state shall not be considered direct jobs created.\**

*\*(12) The level of compliance of the business with OSHA and other business safety regulations, the quality of the business' relations with labor, the level of fairness in its dealings with its employees, and the amount of business ethics shown by the business.\**

The department shall not provide more than one million dollars for any project, unless at least two-thirds of the members of the economic development board vote for providing more. However, after the first ten million dollars in the community economic betterment account have been provided to political subdivisions, the amount that may be provided by the department for a project from additional moneys credited to that account is not subject to the one million dollar limitation.

Sec. 5. Section 99E.31, subsection 4, paragraph a, Code 1987, is amended by adding the following new unnumbered paragraphs:

**NEW UNNUMBERED PARAGRAPH.** In addition to the other proposals mentioned, an institution under the control of the state board of regents, a merged area school, or an independent college or university in the state may apply for a grant for an applied research project. An

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applied research project is limited to specific research or the testing of an idea, process, or product to determine the potential for feasible commercial applications. Institutions under the control of the state board of regents, the merged area schools, and the independent colleges and universities shall submit their proposals directly to the Iowa high technology council. The Iowa high technology council shall receive and evaluate the applied research project proposals from the merged area schools, independent colleges and state universities and make recommendations to the Iowa department of economic development. Applied research project proposals may be in, but are not limited to, the following areas of research:

- (1) Management development.
- (2) Biotechnology.
- (3) Microelectronics.
- (4) Genetics.
- (5) Molecular biology.
- (6) Laser science.
- (7) Third crop development.
- (8) Productivity enhancement/process controls.
- (9) Energy alternatives.

**NEW UNNUMBERED PARAGRAPH.** In the ranking of applied research project proposals, the Iowa department of economic development shall consider all of the following:

- (1) Level of private sector support, assistance, or participation in the project.
- (2) The commercial feasibility of the project.
- (3) The potential of the commercial feasibility of the project to diversify the economic base of Iowa.
- (4) The technical feasibility of the project.
- (5) Matching funds from other sources.

Funded applied research projects shall be given priority by the Iowa department of economic development in receiving product development funds or other department services or assistance designed to promote or encourage the development of new products or new businesses; by the state board of regents in receiving admission into campus incubators, assistance from the small business development centers, or other services or assistance designed for developing new products or new businesses; and by the community colleges in receiving small business job training programs or other assistance designed for developing new products or new businesses.

Sec. 6. Section 99E.32, subsection 1, paragraphs a and b, Code 1987, are amended to read as follows:

a. In the fiscal year beginning July 1, 1986 the first three million four hundred thirty-eight thousand dollars, in the fiscal year beginning July 1, 1987 the first ~~one~~ six million six hundred seventy-five thousand dollars, in the fiscal year beginning July 1, 1988 the first ~~one~~ three million seven hundred fifty thousand dollars and in the fiscal year beginning July 1, 1989 the first ~~one~~ three million seven hundred fifty thousand dollars to the jobs now capitals account.

b. In each of the four fiscal years after the allotment in paragraph "a", ten million dollars to the community economic betterment account; for the fiscal years beginning July 1, 1986, July 1, 1987, July 1, 1988, and July 1, 1989, eight million five hundred fifty thousand dollars, eight million three hundred seventy-five thousand dollars, seven million nine hundred thousand dollars, and seven million nine hundred thousand dollars, respectively, to the jobs now account; and for the fiscal years beginning July 1, 1986, July 1, 1987, July 1, 1988, and July 1, 1989, twelve million five hundred thousand dollars, seven million four hundred thousand dollars, eleven million five hundred thousand dollars, and eleven million two hundred fifty thousand dollars, respectively, to the education and agriculture research and development account. However, the allotment to the jobs now account for the fiscal year beginning July 1, 1986 shall be eight million five hundred fifty thousand dollars.

Sec. 7. Section 99E.32, subsection 3, Code 1987, is amended to read as follows:

3. There are appropriated moneys in the jobs now account for each of the fiscal years beginning July 1, 1986, July 1, 1987, July 1, 1988, and July 1, 1989 to the following funds, agencies, boards or commissions in the amounts, or so much thereof as may be necessary, as provided in section 99E.33 to be used for the following purposes:

a. To the natural resource commission for the purposes designated in section 99E.31, subsection 3, paragraph "a". For the fiscal year beginning July 1, 1986, the amount appropriated is two million five hundred thousand dollars. For the fiscal year beginning July 1, 1987, the amount appropriated is two million dollars.

b. To the Iowa product development fund for the purposes provided in section 28.89. For the fiscal year beginning July 1, 1987, the amount appropriated is one million five hundred thousand dollars.

c. To the department of cultural affairs for the purposes designated in section 99E.31, subsection 3, paragraph "d". For the fiscal year beginning July 1, 1987, the amount appropriated is six hundred seventy-five thousand dollars.

d. To the Iowa department of economic development for the purposes designated in section 99E.31, subsection 3, paragraph "e". For the fiscal year beginning July 1, 1986, the amount appropriated is two million six hundred thousand dollars. For the fiscal year beginning July 1, 1987, the amount appropriated is two million fifty thousand dollars to be used for the purposes and in the amounts as follows:

(1) Satellite centers under section 28.101, one million one hundred twenty-five thousand dollars of which fifty thousand dollars shall be used by the department to hire a rural development coordinator; forty-five thousand dollars for an informational referral center; and ninety-five thousand dollars for model rural development projects.

(2) Federal procurement offices, one hundred thousand dollars.

(3) Iowa main street program, two hundred seventy-five thousand dollars.

(4) Technical assistance for businesses for purposes of the federal small business innovation research grants program, two hundred fifty thousand dollars of which fifty thousand dollars shall be expended to develop and operate a small business information center.

(5) Business incubators, three hundred thousand dollars.

The funds shall be used to provide for operations of existing incubators and for the establishment of at least one new incubator in the fiscal year. The department will award grants to universities, community colleges, and local communities on an annual basis. In awarding the grants, the department shall consider the incubator's plan to become self-sufficient from the need for further grants within three years of its start-up. Future grants shall be contingent upon how the incubator is succeeding in becoming self-sufficient. The local community, university, or college is required to match the state's grant on a dollar for dollar basis.

e. For the fiscal year beginning July 1, 1986 only, the sum of two hundred thousand dollars for the targeted small business loan guarantee program established pursuant to section 220.111.

f. For the fiscal year years beginning July 1, 1986 and July 1, 1987 only, to the Iowa conservation corps account the sum of one million dollars and seven hundred fifty thousand dollars, respectively. Of the funds appropriated under this paragraph, five hundred thousand dollars shall be used for a summer jobs program for young adults, as a part of the Iowa youth corps and designed to provide part-time public service employment to work on conservation-oriented projects.

g. ~~To~~ For the fiscal years beginning July 1, 1988 and July 1, 1989 only, to the Iowa department of economic development, one million dollars for purposes of administration of the "young adult program" of the Iowa conservation corps, established in section 15.225.

Sec. 8. Section 99E.32, subsection 3, Code 1987, is amended by adding the following new lettered paragraphs:

NEW LETTERED PARAGRAPH. h. For the fiscal year beginning July 1, 1987 only, to the advance account of the area school job training fund established in section 280C.6, one million dollars.

NEW LETTERED PARAGRAPH. i. For the fiscal year beginning July 1, 1987 only, to the department of agriculture and land stewardship the sum of three hundred thousand dollars for developing pilot public/private partnerships to assist Iowa producers of agricultural products in the promotion, marketing, and selling of agricultural products to local and regional markets.

NEW LETTERED PARAGRAPH. j. For the fiscal year beginning July 1, 1987 only, to the department of agriculture and land stewardship the sum of one hundred thousand dollars, or so much as is necessary, to provide a grant to the organizers from the 1988 world ag expo in the Amana colonies.

Sec. 9. Section 99E.32, subsection 4, Code 1987, is amended to read as follows:

4. There are appropriated moneys in the education and agriculture research and development account for each of the fiscal years beginning July 1, 1986, July 1, 1987, July 1, 1988, and July 1, 1989 to the following funds, agencies, boards or commissions in the amounts, or so much thereof as may be necessary, as provided in section 99E.33 to be used for the following purposes:

a. To the Iowa college aid commission for the forgivable loan program established in sections 261.71 to 261.73. For the fiscal year beginning July 1, 1986, the amount appropriated is seven hundred fifty thousand dollars. Notwithstanding subsection 7, any moneys not expended under this paragraph by June 30, 1987 shall not be used for purposes of this paragraph but shall be transferred and used for the purposes described in paragraph "c" for the fiscal year beginning July 1, 1987. For the fiscal year beginning July 1, 1987, no amount is appropriated.

b. To the Iowa department of economic development for the purposes and under the conditions specified in section 99E.31, subsection 4, paragraph "a". For the fiscal year beginning July 1, 1986, the amount appropriated is ten million seven hundred fifty thousand dollars. For the fiscal year beginning July 1, 1987, the amount appropriated is seven million dollars of which five hundred thousand dollars shall be allocated to the Iowa State University of science and technology for the national center for food and industrial agricultural product development; and two hundred fifty thousand dollars shall be allocated to the University of Northern Iowa for the decision making science institute.

c. To the Iowa college aid commission for the purposes and under the conditions specified in section 99E.31, subsection 4, paragraph "b". For the fiscal year beginning July 1, 1987, no amount is appropriated. However, the funds transferred under paragraph "a" are available for use under this paragraph for the fiscal year beginning July 1, 1987.

d. For the fiscal years beginning July 1, 1987 and July 1, 1988 only, to the Iowa peace institute, the sum of two hundred fifty thousand dollars each fiscal year for salaries, support, and maintenance provided, and to the extent that, the appropriations are matched dollar for dollar by the Iowa peace institute. The peace institute shall not use any of the state funds for the construction or purchase of real property.

e. For the fiscal years beginning July 1, 1987, July 1, 1988, and July 1, 1989 to the Iowa State University of science and technology, the sum of one hundred fifty thousand dollars for each fiscal year for allocation to the Iowa State University water resource research institute for a subsurface water and nutrient management system. This research shall concentrate its efforts on providing optimum soil water table level throughout the growing season, reduction of nitrates in Iowa's surface and subsurface waters, reduction of Iowa's dependency on subsurface water for irrigation, increasing productivity of selected Iowa soils for selected crops. The Iowa State University water resource research institute shall administer the research funds and report to the general assembly by February 1 of each year, on the program's progress and results.

Sec. 10. Section 99E.32, subsection 5, paragraphs c and h, Code 1987, are amended to read as follows:

c. There is appropriated from the allotment made to the jobs now capitals account under subsection 1 for the fiscal year ~~years~~ beginning July 1, 1986 and July 1, 1987 to the Iowa state university of science and technology for funding for the small business development centers the sum of seven hundred thousand dollars and eight hundred twenty-five thousand dollars, respectively.

h. There is appropriated from the allotment made to the jobs now capitals account under subsection 1 for the fiscal year beginning July 1, 1986 to the legislative council for the use of the world trade advisory committee the sum of one hundred twenty-five thousand dollars, or so much thereof as is necessary, to pay expenses of the members of the committee and other expenses approved by the committee. Notwithstanding subsection 7, any moneys not expended under this paragraph by June 30, 1987 shall ~~revert to the Iowa plan fund to be allotted be transferred~~ for the fiscal year beginning July 1, 1987 to the various accounts in the Iowa plan fund department of economic development for a labor management council for which the department may contract out.

Sec. 11. Section 99E.32, subsection 5, Code 1987, is amended by adding the following new lettered paragraphs:

NEW LETTERED PARAGRAPH. i. There is appropriated from the allotment to the jobs now capitals account under subsection 1 for the fiscal year beginning July 1, 1987 to the Iowa department of economic development the sum of two million dollars for the establishment of welcome centers as provided in 1987 Iowa Acts, House File 540. Of the amounts appropriated, sixty thousand dollars shall be used for the establishment of rural centers to be located in or near communities with populations of five thousand or less. Not more than twenty thousand dollars shall be expended for each center. The local communities are required to equally match state funds.

NEW LETTERED PARAGRAPH. j. There is appropriated from the allotment to the jobs now capitals account under subsection 1 for construction, equipment, renovation, and other costs associated with buildings in the capitol complex the sum of two million seven hundred fifty thousand dollars for each of the fiscal years beginning July 1, 1987; July 1, 1988; and July 1, 1989 to the department of general services. Of the total funds appropriated, seven hundred fifty thousand dollars shall be utilized to pay costs of equipping the new historical building and the costs of moving exhibits into that building; *\*the funds shall next be used to construct and equip additional space for the general assembly as approved by the legislative council,\** and the remaining funds shall be used for renovation and remodeling of buildings in the capitol complex.

NEW LETTERED PARAGRAPH. k. There is appropriated from the allotment to the jobs now capitals account under subsection 1 for the fiscal year beginning July 1, 1987 to the department of public defense for the purpose of the armory in Algona the sum of fifty thousand dollars.

NEW LETTERED PARAGRAPH. l. There is appropriated from the allotment to the jobs now capitals account under subsection 1 for the fiscal year beginning July 1, 1987 to the department of public defense for the purpose of the armory in Denison the sum of fifty thousand dollars.

Sec. 12. Section 99E.32, subsection 7, Code 1987, is amended to read as follows:

7. The moneys appropriated in subsections 2, 3, 4 and 5 shall remain in the appropriate account of the Iowa plan fund until such time as the agency, board, commission, or overseer of the fund to which moneys are appropriated has made a request to the treasurer for use of moneys appropriated to it and the amount needed for that use. ~~The treasurer shall withdraw this amount from the amount appropriated to that entity and remit it to the entity not earlier than thirty~~

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\*Item veto see message at end of the Act

days after receipt of the request. Notwithstanding section 8.33, moneys remaining of the appropriations made for a fiscal year from any of the accounts within the Iowa plan fund on June 30 of that fiscal year, shall not revert to any fund but shall remain in that account to be used for the purposes for which they were appropriated and the moneys remaining in that account shall not be considered in making the allotments for the next fiscal year.

*\*Sec. 13. Section 99E.32, Code 1987, is amended by adding the following new subsection:*  
**NEW SUBSECTION. 9.** *All agencies, boards, commissions, or overseers of funds to which moneys are appropriated under this section shall report to the legislative fiscal bureau by October 10, January 10, April 10, and July 10 for each quarter ending September 30, December 31, March 31, and June 30 of the fiscal year for which the funds are appropriated. The legislative fiscal bureau shall determine the necessary financial and program information to be transmitted to the general assembly.\**

Sec. 14. Section 28.101, subsection 2, unnumbered paragraph 1, Code 1987, is amended to read as follows:

To aid in fulfilling the purpose of the primary research and marketing center for business and international trade, the department may provide grants to establish satellite centers throughout the state. To facilitate establishment of satellite centers, the state is divided up into fifteen regional economic delivery areas which have the same area boundaries as merged areas, as defined in section 280A.2, in existence on May 3, 1985. Each regional delivery area wishing to receive a grant from the department to establish a satellite center in its area shall create a regional coordinating council which shall develop a plan for the area to coordinate all federal, state, and local economic development services within the area. After developing this plan, the council may seek a grant for a satellite center by submitting the coordinating plan and an application for a grant to the department. A grant shall not be awarded within the regional economic delivery area without the approval of the regional coordinating plan by the department. The department may rescind its approval of a regional coordinating plan upon thirty days notice, if the department determines that the stated purpose of the plan is not being carried out. The department may then accept an alternative proposal for a regional coordinating plan. If a regional coordinating council is awarded a grant for a satellite center, it shall employ a center director at the satellite center. The regional coordinating councils shall have sole authority to hire the director of the satellite centers. If, in the opinion of the department, the director of any satellite center is not fulfilling the regional coordinating plan, the department may rescind its approval of the plan. The center director's duties and responsibilities include the following:

Sec. 15. **NEW SECTION. 38.1 PEACE INSTITUTE.**

A corporate body called the "Iowa Peace Institute" is created. The institute is an independent nonprofit public instrumentality and the exercise of the powers granted to the institute as a corporation in this chapter is an essential governmental function. As used in this chapter "institute" means the "Iowa Peace Institute". The purposes of the institute include but are not limited to the following:

1. Provide statewide leadership in promoting the establishment of the United States institute of peace in Iowa.
2. Develop programs that promote peace among nations.
3. Cooperate with the efforts of institutions of higher education in the state in providing courses in the history, culture, religion and language of world communities.
4. Encourage development of courses in the art of negotiation and conflict resolution without the use of violence.

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\*Item veto see message at end of the Act

5. Maintain a roster of specialists in world trouble areas to lecture, hold seminars, and participate in designing alternate policy options.
6. Develop alternative strategies for settling international disputes which could be proposed to or contracted for by the United States and other governments.
7. Contract with persons or business organizations to facilitate their engaging in international commerce.

**Sec. 16. NEW SECTION. 38.2 GOVERNING BOARD.**

The institute shall be administered by a governing board which shall consist of not less than fifteen members nor more than twenty-five members as determined by the bylaws of the institute. The bylaws shall also provide for the method of selection of the members, except that seven members shall be appointed as follows:

1. Three members shall be appointed by the governor.
2. One member shall be selected by the majority leader of the senate.
3. One member shall be selected by the minority leader of the senate.
4. One member shall be selected by the speaker of the house of representatives.
5. One member shall be selected by the minority leader of the house of representatives.

Members shall serve a term of four years. Vacancies shall be filled for the unexpired portion of the term.

**Sec. 17. NEW SECTION. 38.3 NONPROFIT CORPORATION.**

The institute as a corporation has perpetual succession until the existence of the corporation is terminated by law. If the corporation is terminated, the rights and properties of the corporation shall pass to the state. However, debts and other financial obligations shall not succeed to the state.

**Sec. 18. NEW SECTION. 38.4 DUTIES OF THE BOARD.**

The governing board, within the limits of the funds available to it, shall:

1. Employ an executive director to administer the activities of the institute and employ support personnel as necessary.
2. Approve plans relating to the purposes for which the institute is established.
3. Execute contracts with public and private agencies relating to the purposes for which the institute is established.
4. Perform other functions necessary to carry out the purposes of the institute.
5. Establish advisory committees to assist the institute in carrying out its purposes.
6. Provide an annual report to the governor and the general assembly.

**Sec. 19. NEW SECTION. 38.5 GIFTS – GRANTS.**

The institute may accept grants, gifts, and bequests, including but not limited to appropriations, federal funds, and other funding available for carrying out the purposes of the institute.

**\*Sec. 20.**

*1. It is the intent of the general assembly that the department of economic development, in its administration of the community economic betterment account grant program, shall conform its activities to the mission, goals, and objectives provided in this section and collect information pertaining to performance measures developed by the legislative fiscal bureau. The department shall provide a report at least quarterly to the legislative fiscal bureau and the co-chairpersons and ranking members of the economic development appropriations subcommittee on the performance measures. The department shall be notified by the legislative fiscal bureau by July 1, 1987 of the specific performance measures for which data shall be collected and reported.*



2. *The department exists to enhance the economic development of the state and provide for job creation and increased prosperity and opportunities for the citizens of the state by providing direct financial and technical assistance and training to businesses and individuals by coordinating other state, local, and federal economic development programs.*

3. *The department's goals includes the diversification and expansion of the state's economic base and to retain businesses which currently make up that economic base to accomplish the following objectives:*

a. *To assist businesses that add diversity to and generate new opportunities for the state economy.*

b. *To attract, retain, and expand businesses that produce exports or import substitutes, including businesses which purchase a larger share of their products from Iowa producers which should receive a higher priority.*

c. *To assist businesses whose products or services do not necessarily have to be produced in this state.*

d. *To assist businesses which pay higher wages.*

e. *To assist businesses who produce value-added products and services.*

4. *The community economic betterment account grant program elements which will be reviewed by the legislative fiscal bureau as performance indicators include:*

a. *The total amount of community economic betterment funds available.*

b. *The total number of businesses assisted.*

c. *The total number of jobs retained.*

d. *The total number of jobs created.*

e. *The total amount of funds leveraged from outside sources.*

f. *The number and dollar amount of grants and loans and number of jobs associated with CEBA-assisted businesses identified by the department as existing businesses which change or expand product lines and effectively reduce the dominance of the Iowa economy by agriculture or agriculture-related industries.*

g. *The number and dollar amount of grants and loans and number of jobs associated with CEBA-assisted businesses identified by the department as start-up businesses which effectively reduce the dominance of the Iowa economy by agriculture or agriculture-related industries.*

h. *The number and dollar amount of grants and loans and number of jobs associated with CEBA-assisted businesses identified by the department as relocated businesses which effectively reduce the dominance of the Iowa economy by agriculture or agriculture-related industries.*

i. *The number and dollar amount of grants and loans and number of jobs associated with CEBA-assisted businesses identified by the department as businesses that produce agriculture-related value-added products and services.*

j. *The number and dollar amount of grants and loans and number of jobs associated with CEBA-assisted businesses identified by the department that produce exports or import substitutes.*

k. *The number and dollar amount of grants and loans and number of jobs associated with CEBA-assisted businesses identified by the department that would not necessarily have to produce products and services in Iowa.*

l. *The number and dollar amount of grants and loans and number of jobs associated with the range of wages and benefits paid by businesses which received CEBA funds.\**

Sec. 21. Section 99E.32, subsection 2, paragraph h, as enacted by 1987 Iowa Acts, House File 355, section 29, is amended to read as follows:

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\*Item veto see message at end of the Act

h. For the fiscal ~~year~~ years beginning on July 1, 1986 and July 1, 1987 the department shall establish a pilot program entitled the new business opportunity program to provide financial and technical assistance to emerging businesses and industries that expand and diversify the state's economic base. Assistance may be in any form authorized under the community economic betterment account and the department may allocate for each of those fiscal years up to one million dollars of the account's funds for the pilot program.

Sec. 22. 1986 Iowa Acts, chapter 1190, section 10, is repealed.

*Approved June 7, 1987, except the items which I hereby disapprove and which are designated as section 4, subsection 8; section 4, subsection 11; that portion of section 4, subsection 12 which is herein bracketed in ink and initialed by me; that portion of section 11, new lettered paragraph j which is herein bracketed in ink and initialed by me; section 13; and section 20. My reasons for vetoing these items are delineated in the item veto message pertaining to this Act to the Secretary of State this same date, a copy of which is attached hereto.*

TERRY E. BRANSTAD, *Governor*

Dear Madam Secretary:

I hereby transmit Senate File 515, an Act relating to the allocations and appropriations of lottery revenues and the programs for which the revenues may be used.

Senate File 515 makes appropriations from lottery revenues to the various accounts of the Iowa Plan Fund. I am pleased that the General Assembly, for the most part, maintained our commitment to use the lottery funds for economic development and job creation activities. However, the language included in this legislation unwisely restricts the use of these funds for job creation purposes, provides funds for the construction of a legislative underground office facility which has little, if any, positive economic development impact, and inappropriately involves the legislative branch in executive branch management activities.

Senate File 515 is, therefore, approved on this date with the following exceptions which I hereby disapprove.

I am unable to approve the items designated as Section 4, Subsections 8, 11 in their entirety and the first paragraph of Subsection 12.

Subsections 8, 11 and a portion of 12 of Section 4 of Senate File 515 provide unnecessary restrictions on the ability of the Department of Economic Development to provide community economic betterment account funds. These funds are provided to local communities to assist in job creation efforts. One of the values of this program has been its flexibility — the Department is able to act quickly and responsibly in the race for new jobs.

Subsections 8, 11 and 12 would greatly hamper the ability of the Department of Economic Development to respond quickly to an opportunity for new job creation in the state. Subsection 10 would require large upfront loans to eligible businesses which would quickly dry up available funds. While loans should be used where economically feasible, the department should retain the flexibility to use either grants or loans.

Subsection 11 requires a detailed competitive impact assessment before funds are authorized. The competitive impacts of CEB grants should and are a part of the department's decision-making process. However, the detailed restrictions imposed in Subsection 11 would greatly limit the ability of the department to act quickly in response to an economic development opportunity.

In addition, the designated portion of Subsection 12 would require the department to do an exhaustive analysis of each company's labor relations and "business ethics" record prior to providing assistance to create jobs. Such standards are illusory and could tie the department up into bureaucratic knots when speed and decisiveness are needed to obtain new jobs.

Taken together, these subsections could well cost Iowa jobs in the future by unnecessarily restricting the use of community economic betterment funds. They must therefore be disapproved.

I am unable to approve the item designated as that portion of Section 11, New Lettered Paragraph, j, which reads as follows: "the funds shall next be used to construct and equip additional space for the general assembly as approved by the legislative council;"

This item of Senate File 515 provides funds for the construction of an underground office building for the General Assembly. The General Assembly has also provided appropriations for the next several fiscal years to complete this multi-million construction project. Given the state's tight fiscal condition and the need for additional funds for economic development and other important priorities, I cannot approve this measure to construct a new legislative office building.

Lottery funds are to be used for economic development purposes. Constructing an underground office facility for the expansion of the General Assembly is not the type of job creation Iowans had in mind when the lottery funding package was first developed. For that reason, I cannot approve this item.

I am unable to approve the item designated as Section 13 in its entirety.

Section 13 of Senate File 515 requires all the agencies, boards and commissions which receive funds from the lottery to provide frequent reports to the legislative fiscal bureau. This is an excessive level of reporting and would limit the ability of the managers of these funds to appropriately administer the programs within the executive branch's discretion. Therefore, I cannot approve this item.

I am unable to approve the item designated as Section 20 in its entirety. Section 20 of Senate File 515 imposes burdensome performance measures and reporting requirements on the Department of Economic Development. The type of management related goals, and reporting mechanisms included in the bill are the essence of executive branch administrative discretion. The Department of Management has developed performance measures for each department. The results of these measures can be shared at appropriate times with the Legislative branch.

In addition, the Department of Economic Development will respond to appropriate requests for information from the legislature regarding the implementation of economic development programs. However, the administration of programs must remain an executive branch prerogative without the encroachment incorporated in Section 20 of Senate File 515.

For the above reasons, I hereby respectfully disapprove of these items in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items in Senate File 515 are hereby approved as of this date.

Sincerely,  
TERRY E. BRANSTAD, *Governor*