

Agriculture
Husak, Chair
Gallagher
Hester

See Ag 2/9

Senate File 2102

N 26 1984

SENATE FILE 2102

BY COMMITTEE ON AGRICULTURE

(FORMERLY SSB 2051)

Approved 1/26 (p. 244)

Agriculture: Blanshan, Chair; Rensink and Skow.

Do Pass 3/23 (p. 1244)

Passed Senate, Date 2-2-84 (p. 204) ^{*Failed*} Passed House, Date 4-19-84 (p. 2395)

Vote: Ayes 44 Nays 2 Vote: Ayes 42 Nays 47

Approved May 8, 1984
By-pass 4-20-84 (p. 2411)
79-9

A BILL FOR

640' 1 An Act relating to the executive director, staff, and
2 administrative expenses of the Iowa family farm
3 development authority.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S. 2102

1 Section 1. Section 175.7, subsections 1 and 2, Code 1983,
2 are amended to read as follows:

3 1. ~~The executive-director-and-staff-of-the-Iowa-housing~~
4 ~~finance-authority-shall-also-serve-as-executive-director-and~~
5 ~~staff-of-the-authority,-respectively~~ governor, subject to
6 confirmation by the senate, shall appoint an executive director
7 of the authority, who shall serve at the pleasure of the
8 governor. The executive director shall be selected primarily
9 for administrative ability and knowledge in the field, without
10 regard to political affiliation. The executive director shall
11 not, directly or indirectly, exert influence to induce any
12 other officers or employees of the state to adopt a political
13 view, or to favor a political candidate for office.

14 2. The executive director shall advise the authority on
15 matters relating to agricultural land and property and
16 agricultural finance, and carry out all directives from the
17 authority, and ~~may~~ shall hire and supervise ~~additional~~ the
18 authority's staff pursuant to its directions and under ~~the~~
19 ~~provisions-of~~ chapter 19A, except that principal administrative
20 assistants with responsibilities in beginning farm loan
21 programs, accounting, mortgage loan processing, and investment
22 portfolio management are exempt from that chapter.

23 Sec. 2. Section 220.10, subsection 1, Code Supplement
24 1983, is amended to read as follows:

25 1. All moneys declared by the authority to be surplus
26 moneys which are not required to service bonds and notes
27 issued by the authority, to pay administrative expenses of
28 the authority, or to accumulate necessary operating or loss
29 reserves, shall be used by the authority to ~~pay-administrative~~
30 ~~expenses-of-or~~ provide loans to the Iowa family farm
31 development authority in connection with the programs
32 authorized in the Iowa family farm development Act or to
33 provide grants, subsidies, and services to lower income
34 families and very low income families through any of the
35 programs authorized in this chapter, or to provide funds for

1 the residential mortgage interest reduction program established
2 pursuant to section 220.81.

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EXPLANATION

4 The bill eliminates most of the oversight of the family
5 farm development authority by the housing finance authority
6 by removing the executive director and staff of the hous-
7 ing finance authority as the executive director and staff
8 of the family farm development authority, respectively. The
9 bill also strikes the provision that requires, as an option,
10 that surplus moneys of the housing finance authority be used
11 to pay the administrative expenses of the family farm
12 development authority. The bill takes effect July 1 following
13 enactment.

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LSB 3615S 70

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SENATE FILE 2102

FISCAL NOTE

REQUESTED BY SENATOR PRIEBE

In compliance with a written request there is hereby submitted a Fiscal Note for Senate File 2102 pursuant to Joint Rule 17.

Senate File 2102 provides that the executive director of the Iowa family farm development authority shall be appointed by the Governor, subject to confirmation by the Senate. Under current law the executive director of the housing finance authority holds the same position with the family farm development authority.

The bill also provides that the two agencies have separate staff, and that the executive director of the family farm development authority shall be selected primarily for administrative ability and knowledge of the field, without regard to political affiliation. It also strikes the provision that requires, as an option, that surplus moneys of the housing finance authority be used to pay the administrative expenses of the family farm development authority.

This bill is expected to reduce the amount paid by the family farm development authority to the housing finance authority by \$16,400 in FY 1985 and 1986. The expenditures of the housing finance authority will be reduced by \$16,400, which results in no net change.

The family farm development authority's budget is expected to be \$246,582 in FY 1985 and \$257,995 in FY 1986. These expenditures will be funded with money from the Rural Rehabilitation Trust Fund, and from assets and fees from bonds issued by the authority.

Sources: Housing Finance Authority,
Family Farm Development Authority

(3615S,84-104B,JMN)

RECEIVED BY THE SECRETARY OF THE SENATE, FEBRUARY 21, 1984
FILED: BY DENNIS C. PROUTY, DIRECTOR
FEBRUARY 23, 1984 LEGISLATIVE FISCAL BUREAU

SENATE FILE 2102

H-6401

1 Amend Senate File 2102, as passed by the Senate,
2 as follows:
3 1. Page 2, by inserting after line 2 the following
4 new sections:
5 "Sec. 3. Chapter 175, Code 1983 and Code Supplement
6 1983, is amended by adding the following new section:
7 NEW SECTION. FARM OPERATING LOAN INTEREST PROGRAM.
8 1. The general assembly finds and declares as
9 follows:
10 a. The establishment of a farm interest loan
11 program is in all respects for the benefit of the
12 people of the state of Iowa, for the improvement of
13 their health and welfare and for the promotion of
14 the economy, which are public purposes.
15 b. The real interest rates applied to farm
16 operating loans have a negative effect on the ability
17 of the state's agricultural producers to maintain
18 viable farm operations, creating a barrier to farming.
19 c. The authority's farm operating loan interest
20 program will allow the authority to perform an
21 essential governmental function in the exercise of
22 the powers and duties conferred upon it by this
23 section.
24 d. There exists a serious problem in this state
25 regarding the ability of farmers to obtain loans to
26 enable them to continue to fund farm operations.
27 e. This barrier to farm operating credit is caused
28 in large part by the high interest cost of borrowing.
29 f. These high interest costs have limited the
30 ability of a large number of farmers to obtain
31 operating loans from private channels which has
32 negative impact upon the state's economy.
33 g. The ordinary operations of private enterprise
34 have not corrected these conditions.
35 h. A supply of public funds for the farm operating
36 loan interest fund established in this section will
37 enable financial institutions to extend credit to
38 agricultural producers who would not otherwise be
39 able to secure operating loans.
40 i. It is necessary to establish a farm operating
41 loan interest program to provide funds to enable
42 agricultural producers to secure loans which in turn
43 will allow them to continue in the business of farming.
44 j. All of the purposes stated in this section
45 are public purposes and uses for which public moneys
46 may be borrowed, expended, advanced, loaned, or
47 granted.
48 2. The authority shall develop a farm operating
49 loan interest program available to all farmers who
50 qualify under subsection 4 to provide loans to persons

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1 engaged in farming for the purpose of assisting those
2 persons in meeting the interest payments on farm
3 operating loans and to lessen their cash-flow problems
4 in regard to their farming operations. Each loan
5 made under this program shall be for the payment of
6 all or a portion of the interest payment on an
7 operating loan made for a period of not more than
8 one year, shall bear no interest, and shall be
9 repayable in ten equal annual installments. The
10 schedule for repayment of a loan made under the program
11 begins one year following the end of the one-year
12 period of the operating loan for which this loan was
13 made. The amount of the loan shall not exceed ten
14 thousand dollars. A person shall receive only one
15 loan under this program.

16 3. A joint application shall be submitted to the
17 authority for a loan under the program by the financial
18 entity that will make the operating loan and the
19 individual to receive the loan. The application shall
20 contain the following:

21 a. A description of the farm operation involved.

22 b. The amount of a state loan applied for and
23 including the minimum amount of a state operating
24 loan necessary to meet the farmer's immediate needs,
25 the maximum amount of a loan which the financial
26 institution will provide and the amount the financial
27 institution deems necessary for the farmer.

28 c. A statement by the financial entity that an
29 operating loan could not be made without aid under
30 this program and the criteria used by the entity to
31 make this determination.

32 d. Factors that indicate that the farmer will
33 be able to qualify for financing for operations for
34 the subsequent year if the farmer receives assistance
35 under this program.

36 e. Certification by the financial entity that
37 if a loan under this program is granted, the financial
38 entity will continue financing operations for at least
39 one more year without need for additional aid under
40 this program.

41 4. In making loans under this program, the
42 authority shall be guided by the following criteria:

43 a. Preference shall be given to the borrowers
44 of operating loans to be made by the following in
45 the order stated:

46 (1) The United States farmers home administration.

47 (2) Commercial banks and production credit
48 associations.

49 (3) Other financial institutions and entities.

50 b. Loans shall be made only to farmers whose

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1 applications for an operating loan without reference
2 to aid under this program have been denied by a
3 financial entity.
4 c. The farmer can demonstrate financial viability
5 except for cash-flow problems resulting from the high
6 interest rates on operating loans.
7 d. Any other criteria that the authority has
8 adopted by rule.
9 e. The farmer and the financial institution can
10 demonstrate that the loan will make the farmer
11 financially viable.
12 5. A farm operating loan interest fund is created
13 within the office of the Iowa family farm development
14 authority. Moneys received from fees, penalties,
15 general revenue, federal funds, gifts, bequests,
16 donations, or other moneys so designated shall be
17 deposited in the general fund of the state to the
18 credit of the fund. Notwithstanding section 8.33,
19 no part of this fund shall revert at or after the
20 close of a fiscal period, but shall remain in the
21 fund and appropriated for the purposes of this section.
22 6. The authority shall obtain and perfect security
23 interests in and liens against property owned by a
24 farmer obtaining a loan under this program. Whenever
25 possible, the security interests and liens shall be
26 in amounts sufficient to fully secure the loan.
27 Sec. 4. Section 422.63, Code 1983, is amended by
28 inserting after unnumbered paragraph 1, the following
29 new unnumbered paragraph:
30 NEW UNNUMBERED PARAGRAPH. In addition to the tax
31 imposed by this section, there is imposed an additional
32 tax at the rate of two percent of the taxpayer's net
33 income in excess of two hundred fifty thousand dollars
34 received or accrued during the taxable year as
35 determined under this section. The additional tax
36 shall be imposed for the tax years beginning on or
37 after January 1, 1984 up to and including December
38 31, 1985. The additional tax is not subject to
39 allocation under section 422.65 but shall be credited
40 to the farm operating loan interest fund created by
41 this Act. The tax is administered under sections
42 422.60 to 422.66.
43 Sec. 5. Section 428A.1, unnumbered paragraph 1,
44 Code 1983, is amended to read as follows:
45 There is imposed on each deed, instrument, or
46 writing by which any lands, tenements, or other realty
47 in this state ~~shall be~~ are granted, assigned,
48 transferred, or otherwise conveyed, a tax determined
49 in the following manner:
50 1. When there is no consideration or when the

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1 deed, instrument or writing is executed and tendered
2 for recording as an instrument corrective of title,
3 and so states, there ~~shall-be~~ is no tax.

4 2. When there is consideration and the actual
5 market value of the real property transferred is in
6 excess of five hundred dollars, the tax ~~shall-be~~
7 fifty-five-cents is one dollar and ten cents for each
8 five hundred dollars or fractional part of five hundred
9 dollars in excess of five hundred dollars.

10 PARAGRAPH DIVIDED. The term "consideration" as
11 used in this chapter, means the full amount of the
12 actual sale price of the real property involved, paid
13 or to be paid, including the amount of an incumbrance
14 or lien on the property, whether assumed or not by
15 the grantee. It ~~shall-be~~ is presumed that the sale
16 price so stated ~~shall-include~~ includes the value of
17 all personal property transferred as part of the sale
18 unless the dollar value of ~~said~~ the personal property
19 is stated on the instrument of conveyance. When the
20 dollar value of the personal property included in
21 the sale is so stated, it shall be deducted from the
22 consideration shown on the instrument for the purpose
23 of determining the tax.

24 Sec. 6. Section 428A.2, subsection 1, Code 1983,
25 is amended by striking the subsection and inserting
26 in lieu thereof the following:

27 1. The cancellation of an executory contract for
28 the sale of land.

29 Sec. 7. Section 428A.2, Code 1983, is amended
30 by adding the following new subsection:

31 NEW SUBSECTION. 19. Deeds transferred pursuant
32 to and upon satisfaction of an executory contract
33 for the sale of land where the contract has been
34 recorded and evidence that the tax has been paid.

35 Sec. 8. Section 428A.8, unnumbered paragraph 1,
36 Code Supplement 1983, is amended to read as follows:

37 On or before the tenth day of each month the county
38 recorder shall determine and pay to the treasurer
39 of state seventy-five percent of the receipts from
40 the real estate transfer tax collected during the
41 preceding month and the treasurer of state shall
42 deposit one-half of the receipts in the general fund
43 of the state and one-half of the receipts in the
44 public outdoor recreation fund.

45 Sec. 9. Notwithstanding section 428A.8, the county
46 recorder shall remit to the treasurer of state one
47 hundred percent of the receipts from the real estate
48 transfer tax collected on executory contracts and
49 assignments of executory contracts for the fiscal
50 period beginning July 1, 1984 and ending June 30,

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1 1986. The receipts shall be disbursed to the treasurer
 2 of state monthly as provided in this section.
 3 Effective July 1, 1986, the tax receipts collected
 4 on executory contracts and assignments of executory
 5 contracts shall be allocated in the same manner as
 6 other real estate transfer tax receipts under this
 7 section. The treasurer of state shall credit all
 8 of the funds received from the real estate transfer
 9 tax on executory contracts and assignments of executory
 10 contracts to the farm operating loan interest fund.

11 Sec. 10. Notwithstanding House File 2520, enacted
 12 by the Seventieth General Assembly, 1984 Session,
 13 which appropriates seven hundred fifty thousand
 14 (750,000) dollars to the state soil conservation
 15 committee for the establishment of a revolving loan
 16 fund, these funds shall be transferred to the farm
 17 operating loan interest fund for the fiscal year
 18 beginning July 1, 1984 and ending June 30, 1985.

19 It is the intent of the general assembly that seven
 20 hundred fifty thousand (750,000) dollars shall be
 21 appropriated for the fiscal year beginning July 1,
 22 1985 and ending June 30, 1986 to the farm operating
 23 loan interest fund.

24 Sec. 11. Section 4 is retroactive to January 1,
 25 1984 for tax years beginning on or after that date.

26 Sec. 12. Sections 5, 6, 7, 8, 9, and 10 take
 27 effect July 1 following enactment.

28 Sec. 13. This Act, being deemed of immediate
 29 importance, takes effect from and after its publication
 30 in The Van Buren County Leader-Record, a newspaper
 31 published in Farmington, Iowa, and in The Messenger,
 32 a newspaper published in Fort Dodge, Iowa."

33 2. Amend the title, lines 1 through 3, by striking
 34 the words "executive director, staff, and
 35 administrative expenses of the Iowa family farm
 36 development authority" and inserting in lieu thereof
 37 the words "Iowa family farm development authority
 38 by providing for the executive director, staff, and
 39 administrative expenses of the authority, by
 40 authorizing the authority to provide farm operating
 41 loan interest loans, and providing funds for the loan
 42 program from the franchise tax and the real estate
 43 transfer tax".

44 3. Renumber sections and correct internal
 45 references as necessary in accordance with this
 46 amendment.

ANDERSON of Audubon
 OSTERBERG of Linn
 GRUHN of Dickinson
 DAVITT of Warren
 CARTER of Henry
 HANDORF of Marshall
 GRONSTAL of Pottawattamie
 VARN of Johnson
 HALVORSON of Webster

BY COCHRAN of Webster
 SULLIVAN of Van Buren
 BLACK of Jasper
 MUHLBAUER of Crawford
 FOGARTY of Palo Alto
 ZIMMERMAN of Dallas
 BLANSHAN of Greene
 KOENIGS of Mitchell
 SKOW of Guthrie

H-6401 FILED APRIL 18, 1984

Adopted as amended by 6480, 6482 4/19 (p. 2305) Recommended 4/20/84 Withdrawn (p. 2411)

SENATE FILE 2102

H-6474

- 1 Amend amendment H-6401 to Senate File 2102 as
- 2 passed by the Senate as follows:
- 3 1. By striking page 3, lines 43 through page 4,
- 4 line 23.
- 5 2. Page 5, by striking lines 42 and 43 and
- 6 inserting in lieu thereof the words "programs from
- 7 the franchise tax."
- 8 3. By numbering, renumbering and correcting
- 9 internal references.

H-6474 FILED APRIL 19, 1984 BY WOODS, of Polk
LOST (p. 2342)

SEANTE FILE 2102

H-6480

- 1 Amend amendment H-6401 to Senate File 2102 as
- 2 passed by the Senate as follows:
- 3 1. Page 4, line 27, by inserting after the word
- 4 "cancellation" the words "or assignment".
- 5 2. Page 4, by inserting after line 34 the
- 6 following:
- 7 "Sec. ____ . Section 428A.2, Code 1983, is amended
- 8 by adding the following new subsection:
- 9 NEW SUBSECTION. A deed given in fulfillment of
- 10 a contract for sale of land which was recorded on
- 11 or after July 1, 1984 and for which the tax imposed
- 12 by section 428A.1 has been paid."

H-6480 FILED APRIL 19, 1984 BY HUMMEL of Benton
ADOPTED (p. 2392)

SENATE FILE 2102

H-6482

- 1 Amend House amendment H-6401 to Senate File 2102,
- 2 as passed by the Senate, as follows:
- 3 1. Page 5, by striking lines 11 through 23.

BY COOPER of Lucas
BENNETT of Ida
RENKEN of Grundy

H-6482 FILED APRIL 19,
ADOPTED (p. 2393)

SENATE FILE 2102
AMENDMENT H-6401
FISCAL NOTE

REQUESTED BY REPRESENTATIVE COCHRAN

In compliance with a written request received April 17, 1984, there is hereby submitted a Fiscal Note for Amendment H-6401 to Senate File 2102 pursuant to Joint Rule 17. Background information used in developing this Fiscal Note is available from the Legislative Fiscal Bureau, to members of the General Assembly upon request.

Amendment H-6401 to Senate File 2102 creates the farm operating loan interest program. Loans made under this program shall be for the payment of all or a portion of the interest payment on an operating loan made for a period of not more than one year, shall bear no interest, and shall be repayable in ten equal annual installments. The amount of the loan shall not exceed ten thousand dollars, and a person shall receive only one loan under this program. Preference shall be given to the borrowers of operating loans to be made by, in the order stated: FHA, commercial banks and production credit associations, other financial institutions and entities. Loans shall be made only to farmers whose applications for an operating loan have been denied by a financial entity, and only to farmers who can demonstrate financial viability except for cash-flow problems resulting from high interest rates.

The amendment imposes a franchise tax on financial institutions at the rate of two percent of the taxpayer's net income in excess of \$250,000, for the tax years beginning on or after July 1, 1984 up to and including June 30, 1986. This tax shall be credited to the farm operating loan interest fund. This provision is expected to result in increased revenues to the state of between \$3,000,000 to \$4,000,000 annually.

The amendment also increases the tax on real estate transfers from 55¢ to \$1.10 for each five hundred dollars of actual market value. This provision is expected to result in increased revenues to the state of \$2,400,000 in FY 1985 and increased revenues to the counties of \$800,000. The definition of real estate transfers is expanded to include executory contracts and assignments of executory contracts, effective July 1, 1986. This provision is expected to result in increased revenues to the state of \$4,000,000.

The amendment also transfers \$750,000 that was appropriated in House File 2520 for the state soil conservation committee to the farm operating loan interest fund.

Summary:

	<u>State</u>	<u>Counties</u>
Additional 2% franchise tax	\$ 3 - 4 million	\$ 0
Increased transfer tax	2,400,000	800,000
Tax on contract sales	4,000,000	0
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Total	\$ 9.4 - 10.4 million	\$ 800,000

Source: Iowa Department of Revenue

(3135H.01,84-340B,JMN)

FILED APRIL 19, 1984

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 2102

AN ACT

RELATING TO THE EXECUTIVE DIRECTOR, STAFF, AND ADMINISTRATIVE EXPENSES OF THE IOWA FAMILY FARM DEVELOPMENT AUTHORITY.

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

Section 1. Section 175.7, subsections 1 and 2, Code 1983, are amended to read as follows:

1. ~~The executive director and staff of the Iowa housing finance authority shall also serve as executive director and staff of the authority, respectively~~ governor, subject to confirmation by the senate, shall appoint an executive director of the authority, who shall serve at the pleasure of the governor. The executive director shall be selected primarily for administrative ability and knowledge in the field, without regard to political affiliation. The executive director shall not, directly or indirectly, exert influence to induce any other officers or employees of the state to adopt a political view, or to favor a political candidate for office.

2. The executive director shall advise the authority on matters relating to agricultural land and property and agricultural finance, and carry out all directives from the authority, and ~~may~~ shall hire and supervise ~~additional~~ the authority's staff pursuant to its directions and under ~~the provisions of~~ chapter 19A, except that principal administrative assistants with responsibilities in beginning farm loan programs, accounting, mortgage loan processing, and investment portfolio management are exempt from that chapter.

Sec. 2. Section 220.10, subsection 1, Code Supplement 1983, is amended to read as follows:

1. All moneys declared by the authority to be surplus moneys which are not required to service bonds and notes issued by the authority, to pay administrative expenses of the authority, or to accumulate necessary operating or loss

reserves, shall be used by the authority to ~~pay administrative expenses of or~~ provide loans to the Iowa family farm development authority in connection with the programs authorized in the Iowa family farm development Act or to provide grants, subsidies, and services to lower income families and very low income families through any of the programs authorized in this chapter, or to provide funds for the residential mortgage interest reduction program established pursuant to section 220.81.

CHARLES P. MILLER
President Pro Tempore of the
Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2102, Seventieth General Assembly.

K. MARIE THAYER
Secretary of the Senate

Approved May 8, 1984

TERRY E. BRANSTAD
Governor