

*Pursuant to Senate Rule 40, the Legislative Service Bureau reported nonsubstantive changes to the members of the Small Business and Economic Development Committee on Senate File 2241 and they were attached to the committee report. 4/5/86 (p. 571)

Senate File 2241

APPROPRIATIONS: Small, Chair: Lind and Husak

SENATE FILE 2241
BY COMMITTEE ON SMALL BUSINESS
AND ECONOMIC DEVELOPMENT
(formerly SSB 2184)
Approved (p. 571)

APR 5 1986

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act creating an Iowa economic bond bank program within the
2 Iowa finance authority to provide financing for economic
3 development and making an appropriation.

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

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24

S.F. 2241

1 Section 1. Section 220.1, subsection 26, Code Supplement
2 1985, is amended to read as follows:

3 26. "Project" means real or personal property connected
4 with a facility to be acquired, constructed, improved, or
5 equipped, with the aid of the Iowa small business loan program
6 as provided in sections 220.61 to 220.65. However, for
7 purposes of section 220.93 through section 220.99 "project"
8 means as defined in section 220.94.

9 Sec. 2. NEW SECTION. 220.93 LEGISLATIVE FINDINGS.

10 The general assembly finds and declares that:

11 1. Economic development and expansion of business,
12 industry, and farming in the state is dependent upon the
13 availability of financing of the development and expansion at
14 affordable interest rates.

15 2. Private financing at low interest rates for small-
16 business under the Iowa finance authority small business loan
17 program, for beginning farmers under the Iowa family farm
18 authority beginning farmer loan program, and for commercial,
19 industrial, and other business enterprises pursuant to chapter
20 419 is severely limited because of the unattractiveness of tax
21 exempt financing to financial institutions in the state.

22 3. The pooling of private financing enhances the
23 marketability of the obligations involved and increases access
24 to other state, regional, and national credit markets.

25 4. The creation of an Iowa economic development bond bank
26 program will make the pooling of private financing available
27 to small businesses, beginning farmers, and commercial,
28 industrial, and other business enterprises at favorable
29 interest rates with reduced marketing costs.

30 5. All of the purposes stated in this section are public
31 purposes and uses for which public moneys may be borrowed,
32 expended, advanced, loaned, or granted.

33 Sec. 3. NEW SECTION. 220.94 ESTABLISHMENT OF BOND BANK
34 PROGRAM -- BONDS AND NOTES -- PROJECTS.

35 The authority shall assist the development and expansion of

1 family farming, housing, and business in the state through the
2 establishment of the Iowa economic development bond bank
3 program. The authority may issue its bonds or notes, or
4 series of bonds or notes for the purpose of defraying the cost
5 of one or more projects and make secured and unsecured loans
6 for the acquisition and construction of projects on terms the
7 authority determines. For purposes of this section, projects
8 shall include any of the following:

9 1. A project defined in section 220.1, subsection 26, for
10 which loans may be made by the authority pursuant to the
11 small-business loan program.

12 2. The acquisition of agricultural land and improvements
13 and depreciable agricultural property by beginning farmers for
14 which loans may be made by the Iowa family farm development
15 authority pursuant to section 175.12.

16 3. A project defined in section 419.1, subsection 2, for
17 which bonds or notes may be issued by a city or a county.

18 Sec. 4. NEW SECTION. 220.95 IOWA ECONOMIC DEVELOPMENT
19 BOND BANK PROGRAM -- SPECIFIC POWERS.

20 In carrying out the Iowa economic development bond bank
21 program, the authority may do any of the following:

22 1. Make secured and unsecured loans for both the
23 acquisition and the construction of projects on terms the
24 authority determines. The loans may be made to any person or
25 entity including, but not limited to, a city, a county, and
26 the Iowa family farm development authority for projects
27 approved by the Iowa finance authority. The Iowa finance
28 authority may take any action which is reasonable and lawful
29 to protect its security and to avoid losses from its loans.

30 2. Acquire, hold, and mortgage personal property and real
31 estate and interests in real estate to be used as a project.

32 3. Purchase, construct, improve, furnish, equip, lease,
33 option, sell, exchange, or otherwise dispose of one or more
34 projects under the terms the authority determines. However,
35 in the lease, sale, or loan agreement relating to a project,

1 the authority shall provide for adequate maintenance of the
2 project.

3 4. Grant a mortgage, lien, pledge, assignment, or other
4 encumbrance on one or more projects, revenues, or reserve or
5 other funds established in connection with obligations, or
6 with respect to a lease, sale, or loan relating to one or more
7 projects, or a guaranty or insurance agreement relating to one
8 or more projects, or a secured or unsecured interest, of the
9 authority in one or more projects or parts of one or more
10 projects.

11 5. Provide that the interest on obligations may vary in
12 accordance with a base or formula authorized by the authority.

13 6. Contract for the acquisition, construction, or both of
14 one or more projects or parts of one or more projects and for
15 the leasing, subleasing, sale, or other disposition of one or
16 more projects in a manner determined by the authority.

17 Sec. 5. NEW SECTION. 220.96 LOAN AGREEMENTS.

18 1. The authority may enter into loan agreements with one
19 or more borrowers to finance in whole or in part the
20 acquisition of one or more projects by construction or
21 purchase. The repayment obligation of the borrower or
22 borrowers may be unsecured, secured by a mortgage or security
23 agreement, or secured by other security as the authority deems
24 advisable. The repayment obligation may be evidenced by one
25 or more notes of the borrower or borrowers. The loan
26 agreements may contain terms and conditions the authority
27 deems advisable.

28 2. The authority may issue its bonds and notes for the
29 purposes set forth in section 220.93 and may enter into one or
30 more lending agreements or purchase agreements with one or
31 more bondholders or noteholders containing the terms and
32 conditions of the repayment of and the security for the bonds
33 or notes. The authority and the bondholders or noteholders or
34 a trustee or agent designated by the authority may enter into
35 agreements to provide for any of the following:

1 a. That the proceeds of the bonds and notes and the
2 investments of the proceeds may be received, held, and
3 disbursed by the bondholders or noteholders, or by a trustee
4 or agent designated by the authority.

5 b. That the bondholders or noteholders or a trustee or
6 agent designated by the authority may collect, invest, and
7 apply the amounts payable under the loan agreements or any
8 other security instruments securing the debt obligations of
9 the borrower or borrowers.

10 c. That the bondholders or noteholders may enforce the
11 remedies provided in the loan agreements or security
12 instruments on their own behalf without the appointment or
13 designation of a trustee. If there is a default in the
14 principal of or interest on the bonds or notes or in the
15 performance of any agreement contained in the loan agreements
16 or security instruments, the payment or performance may be
17 enforced in accordance with the loan agreement or security
18 instrument.

19 d. That if there is a default in the payment of the
20 principal or interest on a mortgage or security instrument or
21 if there is a violation of an agreement contained in the
22 mortgage or security instrument, the mortgage or security
23 instrument may be foreclosed or enforced. Collateral may be
24 sold under proceedings or actions permitted by law. A trustee
25 under the mortgage or security agreement or the holder of any
26 bonds or notes secured by the mortgage or security agreement
27 may become a purchaser if the trustee or holder is the highest
28 bidder.

29 e. Other terms and conditions as deemed necessary or
30 appropriate by the authority.

31 Sec. 6. NEW SECTION. 220.97 SECURITY FOR BONDS --
32 RESERVE FUNDS -- VALIDITY OF PLEDGE -- NONLIABILITY --
33 IRREVOCABLE CONTRACTS.

34 1. The authority may provide in the resolution authorizing
35 the issuance of its bonds or notes for the Iowa economic

1 development bond bank program that the principal of, premium,
2 if any, and interest on the bonds or notes are payable
3 exclusively from any of the following:

4 a. The income and receipts or other money derived from the
5 projects financed with the proceeds of the bonds or notes.

6 b. The income and receipts of other money derived from
7 designated projects whether or not the projects are financed
8 in whole or in part with the proceeds of the bonds or notes.

9 c. The authority's income and receipts of other assets
10 generally, or a designated part or parts of them.

11 2. For the purpose of securing one or more issues of its
12 bonds or notes, the authority may establish one or more
13 special funds, called "capital reserve funds". The authority
14 shall pay into the capital reserve funds the proceeds of the
15 sale of its bonds or notes and other money which may be made
16 available to the authority from other sources for the purposes
17 of the capital reserve funds. Except as provided in this
18 section, money in a capital reserve fund shall be used only as
19 required for any of the following:

20 a. The payment of the principal of and interest on bonds
21 or notes or of the sinking fund payments with respect to those
22 bonds or notes.

23 b. The purchase or redemption of the bonds or notes.

24 c. The payment of a redemption premium required to be paid
25 when the bonds or notes are redeemed before maturity.

26 However, money in a capital reserve fund shall not be
27 withdrawn if the withdrawal would reduce the amount in the
28 capital reserve fund to less than the capital reserve fund
29 requirement, except for the purpose of making payment, when
30 due, of principal, interest, redemption premiums on the bonds
31 or notes, and making sinking fund payments when other money
32 pledged to the payment of the bonds or notes is not available
33 for the payments. Income or interest earned by, or increment
34 to, a capital reserve fund from the investment of all or part
35 of the fund may be transferred by the authority to other funds

1 or accounts of the authority if the transfer does not reduce
2 the amount of the capital reserve fund below the capital
3 reserve fund requirement.

4 3. If the authority decides to issue bonds or notes
5 secured by a capital reserve fund, the bonds or notes shall
6 not be issued if the amount in the capital reserve fund is
7 less than the capital reserve fund requirement, unless at the
8 time of issuance of the bonds or notes the authority deposits
9 in the capital reserve fund from the proceeds of the bonds or
10 notes to be issued or from other sources, an amount which,
11 together with the amount then in the fund, is not less than
12 the capital reserve fund requirement.

13 4. In computing the amount of a capital reserve fund for
14 the purpose of this section, securities in which all or a
15 portion of the fund is invested shall be valued by a
16 reasonable method established by the authority by resolution.
17 Valuation shall include the amount of interest earned or
18 accrued as of the date of valuation.

19 5. In this section, "capital reserve fund requirement"
20 means the amount required to be on deposit in the capital
21 reserve fund as of the date of computation as determined by
22 resolution of the authority.

23 6. To assure maintenance of the capital reserve funds, the
24 chairperson of the authority shall, on or before July 1 of
25 each calendar year, make and deliver to the governor the
26 chairperson's certificate stating the sum, if any, required to
27 restore each capital reserve fund to the capital reserve fund
28 requirement for that fund. Within thirty days after the
29 beginning of the session of the general assembly next
30 following the delivery of the certificate, the governor may
31 submit to both houses printed copies of a budget including the
32 sum, if any, required to restore each capital reserve fund to
33 the capital reserve fund requirement for that fund. Any sums
34 appropriated by the general assembly and paid to the authority
35 pursuant to this section shall be deposited by the authority

1 in the applicable capital reserve fund.

2 7. All amounts paid to the authority by the state pursuant
3 to this section shall be considered advances by the state to
4 the authority and, subject to the rights of the holders of any
5 bonds or notes of the authority that have previously been
6 issued or will be issued, shall be repaid to the state without
7 interest from all available operating revenues of the
8 authority in excess of amounts required for the payment of
9 bonds, notes, or obligations of the authority, the capital
10 reserve fund, and operating expenses.

11 8. If the principal amount of any bonds or notes deposited
12 in a capital reserve fund is withdrawn for payment of
13 principal, premium, or interest on the bonds or notes or
14 sinking fund payments with respect to bonds or notes thus
15 reducing the amount of that fund to less than the capital
16 reserve fund requirement, the authority shall immediately
17 notify the general assembly of this event and shall take steps
18 to restore the capital reserve fund to the capital reserve
19 fund requirement for that fund from any amounts designated as
20 being available for such purpose, other than principal of
21 bonds or notes which are not pledged to the payment of other
22 bonds or notes.

23 9. The authority may establish reserve funds, other than
24 capital reserve funds, to secure one or more issues of its
25 bonds or notes. The authority may deposit in a reserve fund
26 established under this subsection the proceeds of the sale of
27 its bonds or notes and other money which is made available
28 from any other source. The authority may allow a reserve fund
29 established under this subsection to be depleted without
30 complying with subsection 6 or subsection 8.

31 10. It is the intention of the general assembly that a
32 pledge made in respect of bonds or notes shall be valid and
33 binding from the time the pledge is made, that the money or
34 property so pledged and received after the pledge by the
35 authority shall immediately be subject to the lien of the

1 pledge without physical delivery or further act, and that the
2 lien of the pledge shall be valid and binding as against all
3 parties having claims of any kind in tort, contract, or
4 otherwise against the authority whether or not the parties
5 have notice of the lien. Neither the resolution, trust
6 agreement, nor any other instrument by which a pledge is
7 created needs to be recorded or filed under the Iowa uniform
8 commercial code to be valid, binding, or effective against the
9 parties.

10 11. Neither the members of the authority nor a person
11 executing the bonds or notes are liable personally on the
12 bonds or notes or are subject to personal liability or
13 accountability by reason of the issuance of the bonds or
14 notes.

15 12. The bonds or notes issued by the authority are not an
16 indebtedness or other liability of the state or of a political
17 subdivision of the state, except the authority, and are
18 payable solely from the income and receipts or other funds or
19 property of the authority. The authority shall not pledge the
20 faith or credit of the state or of a political subdivision of
21 the state, except the authority, to the payment of a bond or
22 note. The issuance of a bond or note by the authority does
23 not directly, indirectly, or contingently obligate the state
24 or a political subdivision of the state to apply money from,
25 or levy or pledge any form of taxation whatever to the payment
26 of the bond or note.

27 13. The state pledges to and agrees with the holders of
28 bonds or notes issued under the Iowa economic development bond
29 bank program, that the state will not limit or alter the
30 rights and powers vested in the authority to fulfill the terms
31 of a contract made by the authority with respect to the bonds
32 or notes, or in any way impair the rights and remedies of the
33 holders until the bonds and notes, together with the interest
34 on them including interest on unpaid installments of interest,
35 and all costs and expenses in connection with an action or

1 proceeding by or on behalf of the holders, are fully met and
2 discharged. The authority is authorized to include this
3 pledge and agreement of the state, as it refers to holders of
4 bonds or notes of the authority, in a contract with the
5 holders.

6 Sec. 7. NEW SECTION. 220.98 EXEMPTION FROM TAXATION.

7 The interest on all bonds or notes issued with respect to
8 the Iowa economic development bond bank program created in
9 this chapter is exempt from taxation.

10 Sec. 8. NEW SECTION. 220.99 ADOPTION OF RULES.

11 The board of directors of the authority shall adopt rules
12 pursuant to chapter 17A to implement sections 220.93 to
13 220.99.

14 Sec. 9. There is appropriated to the Iowa finance
15 authority from the Iowa plan fund five hundred thousand
16 (500,000) dollars for the fiscal year beginning July 1, 1986
17 and ending June 30, 1987 for the purpose of establishing the
18 Iowa economic development bond bank program to be used for the
19 payment of administrative costs, establishing capital reserve
20 funds, and payment of other costs associated with the program.
21 Of the amount appropriated in this section not more than one
22 hundred thousand dollars, or so much thereof as is necessary,
23 shall be used for the payment of administrative costs.

24 Notwithstanding section 8.33, the funds appropriated by
25 this section shall not revert to the treasurer of state or the
26 Iowa plan fund.

27 EXPLANATION

28 This bill authorizes the Iowa finance authority to initiate
29 an economic development bond bank program to issue bonds and
30 notes to provide low interest financing for business and
31 agricultural expansion and development. An initial
32 appropriation is made to establish the program. The
33 appropriation is from the Iowa plan fund for economic
34 development. The bill creates new sections tentatively
35 numbered 220.93 through 220.99.

SMALL BUSINESS & ECONOMIC DEVELOPMENT: Fraise, Chair; Peterson
and Lind

*Nov
SF 2241*

SENATE/HOUSE FILE 2241
BY (PROPOSED GOVERNOR'S BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act creating an Iowa economic bond bank program within the
2 Iowa finance authority to provide financings for economic
3 development and making an appropriation.

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

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1 Section 1. Section 220.1, subsection 26, Code Supplement
2 1985, is amended to read as follows:

3 26. "Project" means real or personal property connected
4 with a facility to be acquired, constructed, improved, or
5 equipped, with the aid of the Iowa small business loan program
6 as provided in sections 220.61 to 220.65. However, for
7 purposes of section 222.93 through section 222.99 "project"
8 means as defined in section 222.94.

9 Sec. 2. NEW SECTION. 220.93 LEGISLATIVE FINDINGS.

10 The general assembly finds and declares that:

11 1. Economic development and expansion of business,
12 industry, and farming in the state is dependent upon the
13 availability of financing of the development and expansion at
14 affordable interest rates.

15 2. Private financing at low interest rates for small-
16 business under the Iowa finance authority small business loan
17 program, for beginning farmers under the Iowa family farm
18 authority beginning farmer loan program, and for commercial,
19 industrial, and other business enterprises pursuant to chapter
20 419 is severely limited because of the unattractiveness of tax
21 exempt financing to financial institutions in the state.

22 3. The pooling of private financings enhances the
23 marketability of the obligations involved and increases access
24 to other state, regional, and national credit markets.

25 4. The creation of an Iowa economic development bond bank
26 program will make the pooling of private financings available
27 to small businesses, beginning farmers, and commercial,
28 industrial, and other business enterprises at favorable
29 interest rates with reduced marketing costs.

30 5. All of the purposes stated in this section are public
31 purposes and uses for which public moneys may be borrowed,
32 expended, advanced, loaned, or granted.

33 Sec. 3. NEW SECTION. 220.94 ESTABLISHMENT OF BOND BANK
34 PROGRAM -- BONDS AND NOTES -- PROJECTS.

35 The authority shall assist the development and expansion of

1 family farming, housing, and business in the state through the
2 establishment of the Iowa economic development bond bank
3 program. The authority may issue its bonds or notes, or
4 series of bonds or notes for the purpose of defraying the cost
5 of one or more projects and make secured and unsecured loans
6 for the acquisition and construction of projects on terms the
7 authority determines. For purposes of this section, projects
8 shall include any of the following:

9 1. A project defined in section 220.1, subsection 26, for
10 which loans may be made by the authority pursuant to the
11 small-business loan program.

12 2. The acquisition of agricultural land and improvements
13 and depreciable agricultural property by beginning farmers for
14 which loans may be made by the Iowa family farm development
15 authority pursuant to section 175.12.

16 3. A project defined in section 419.1, subsection 2, for
17 which bonds or notes may be issued by a city or a county.

18 Sec. 4. NEW SECTION. 220.95 IOWA ECONOMIC DEVELOPMENT
19 BOND BANK PROGRAM -- SPECIFIC POWERS.

20 In carrying out the Iowa economic development bond bank
21 program, the authority may do any of the following:

22 1. Make secured and unsecured loans for both the
23 acquisition and the construction of projects on terms the
24 authority determines. The loans may be made to any person or
25 entity including, but not limited to, a city, a county, and
26 the Iowa family farm development authority for projects
27 approved by the Iowa finance authority. The Iowa finance
28 authority may take any action which is reasonable and lawful
29 to protect its security and to avoid losses from its loans.

30 2. Acquire, hold, and mortgage personal property and real
31 estate and interests in real estate to be used as a project.

32 3. Purchase, construct, improve, furnish, equip, lease,
33 option, sell, exchange, or otherwise dispose of one or more
34 projects under the terms the authority determines. However,
35 in the lease, sale, or loan agreement relating to a project,

1 the authority shall provide for adequate maintenance of the
2 project.

3 4. Grant a mortgage, lien, pledge, assignment, or other
4 encumbrance on one or more projects, revenues, or reserve or
5 other funds established in connection with obligations, or
6 with respect to a lease, sale, or loan relating to one or more
7 projects, or a guaranty or insurance agreement relating to one
8 or more projects, or a secured or unsecured interest, of the
9 authority in one or more projects or parts of one or more
10 projects.

11 5. Provide that the interest on obligations may vary in
12 accordance with a base or formula authorized by the authority.

13 6. Contract for the acquisition, construction, or both of
14 one or more projects or parts of one or more projects and for
15 the leasing, subleasing, sale, or other disposition of one or
16 more projects in a manner determined by the authority.

17 Sec. 5. NEW SECTION. 220.96 LOAN AGREEMENTS.

18 1. The authority may enter into loan agreements with one
19 or more borrowers to finance in whole or in part the
20 acquisition of one or more projects by construction or
21 purchase. The repayment obligation of the borrower or
22 borrowers may be unsecured, secured by a mortgage or security
23 agreement, or secured by other security as the authority deems
24 advisable. The repayment obligation may be evidenced by one
25 or more notes of the borrower or borrowers. The loan
26 agreements may contain terms and conditions the authority
27 deems advisable.

28 2. The authority may issue its bonds and notes for the
29 purposes set forth in section 220.93 and may enter into one or
30 more lending agreements or purchase agreements with one or
31 more bondholders or noteholders containing the terms and
32 conditions of the repayment of and the security for the bonds
33 or notes. The authority and the bondholders or noteholders or
34 a trustee or agent designated by the authority may enter into
35 agreements to provide for any of the following:

1 a. That the proceeds of the bonds and notes and the
2 investments of the proceeds may be received, held, and
3 disbursed by the bondholders or noteholders, or by a trustee
4 or agent designated by the authority.

5 b. That the bondholders or noteholders or a trustee or
6 agent designated by the authority may collect, invest, and
7 apply the amounts payable under the loan agreements or any
8 other security instruments securing the debt obligations of
9 the borrower or borrowers.

10 c. That the bondholders or noteholders may enforce the
11 remedies provided in the loan agreements or security
12 instruments on their own behalf without the appointment or
13 designation of a trustee. If there is a default in the
14 principal of or interest on the bonds or notes or in the
15 performance of any agreement contained in the loan agreements
16 or security instruments, the payment or performance may be
17 enforced in accordance with the loan agreement or security
18 instrument.

19 d. That if there is a default in the payment of the
20 principal or interest on a mortgage or security instrument or
21 if there is a violation of an agreement contained in the
22 mortgage or security instrument, the mortgage or security
23 instrument may be foreclosed or enforced. Collateral may be
24 sold under proceedings or actions permitted by law. A trustee
25 under the mortgage or security agreement or the holder of any
26 bonds or notes secured by the mortgage or security agreement
27 may become a purchaser if the trustee or holder is the highest
28 bidder.

29 e. Other terms and conditions as deemed necessary or
30 appropriate by the authority.

31 Sec. 6. NEW SECTION. 220.97 SECURITY FOR BONDS --
32 RESERVE FUNDS -- VALIDITY OF PLEDGE -- NONLIABILITY --
33 IRREVOCABLE CONTRACTS.

34 1. The authority may provide in the resolution authorizing
35 the issuance of its bonds or notes for the Iowa economic

1 development bond bank program that the principal of, premium,
2 if any, and interest on the bonds or notes are payable
3 exclusively from any of the following:

4 a. The income and receipts or other money derived from the
5 projects financed with the proceeds of the bonds or notes.

6 b. The income and receipts of other money derived from
7 designated projects whether or not the projects are financed
8 in whole or in part with the proceeds of the bonds or notes.

9 c. The authority's income and receipts of other assets
10 generally, or a designated part or parts of them.

11 2. For the purpose of securing one or more issues of its
12 bonds or notes, the authority may establish one or more
13 special funds, called "capital reserve funds". The authority
14 shall pay into the capital reserve funds the proceeds of the
15 sale of its bonds or notes and other money which may be made
16 available to the authority from other sources for the purposes
17 of the capital reserve funds. Except as provided in this
18 section, money in a capital reserve fund shall be used only as
19 required for any of the following:

20 a. The payment of the principal of and interest on bonds
21 or notes or of the sinking fund payments with respect to those
22 bonds or notes.

23 b. The purchase or redemption of the bonds or notes.

24 c. The payment of a redemption premium required to be paid
25 when the bonds or notes are redeemed before maturity.

26 However, money in a capital reserve fund shall not be
27 withdrawn if the withdrawal would reduce the amount in the
28 capital reserve fund to less than the capital reserve fund
29 requirement, except for the purpose of making payment, when
30 due, of principal, interest, redemption premiums on the bonds
31 or notes, and making sinking fund payments when other money
32 pledged to the payment of the bonds or notes is not available
33 for the payments. Income or interest earned by, or increment
34 to, a capital reserve fund from the investment of all or part
35 of the fund may be transferred by the authority to other funds

1 or accounts of the authority if the transfer does not reduce
2 the amount of the capital reserve fund below the capital
3 reserve fund requirement.

4 3. If the authority decides to issue bonds or notes
5 secured by a capital reserve fund, the bonds or notes shall
6 not be issued if the amount in the capital reserve fund is
7 less than the capital reserve fund requirement, unless at the
8 time of issuance of the bonds or notes the authority deposits
9 in the capital reserve fund from the proceeds of the bonds or
10 notes to be issued or from other sources, an amount which,
11 together with the amount then in the fund, is not less than
12 the capital reserve fund requirement.

13 4. In computing the amount of a capital reserve fund for
14 the purpose of this section, securities in which all or a
15 portion of the fund is invested shall be valued by a
16 reasonable method established by the authority by resolution.
17 Valuation shall include the amount of interest earned or
18 accrued as of the date of valuation.

19 5. In this section, "capital reserve fund requirement"
20 means the amount required to be on deposit in the capital
21 reserve fund as of the date of computation as determined by
22 resolution of the authority.

23 6. To assure maintenance of the capital reserve funds, the
24 chairperson of the authority shall, on or before July 1 of
25 each calendar year, make and deliver to the governor the
26 chairperson's certificate stating the sum, if any, required to
27 restore each capital reserve fund to the capital reserve fund
28 requirement for that fund. Within thirty days after the
29 beginning of the session of the general assembly next
30 following the delivery of the certificate, the governor may
31 submit to both houses printed copies of a budget including the
32 sum, if any, required to restore each capital reserve fund to
33 the capital reserve fund requirement for that fund. Any sums
34 appropriated by the general assembly and paid to the authority
35 pursuant to this section shall be deposited by the authority

1 in the applicable capital reserve fund.

2 7. All amounts paid to the authority by the state pursuant
3 to this section shall be considered advances by the state to
4 the authority and, subject to the rights of the holders of any
5 bonds or notes of the authority that have previously been
6 issued or will be issued, shall be repaid to the state without
7 interest from all available operating revenues of the
8 authority in excess of amounts required for the payment of
9 bonds, notes, or obligations of the authority, the capital
10 reserve fund, and operating expenses.

11 8. If the principal amount of any bonds or notes deposited
12 in a capital reserve fund is withdrawn for payment of
13 principal, premium, or interest on the bonds or notes or
14 sinking fund payments with respect to bonds or notes thus
15 reducing the amount of that fund to less than the capital
16 reserve fund requirement, the authority shall immediately
17 notify the general assembly of this event and shall take steps
18 to restore the capital reserve fund to the capital reserve
19 fund requirement for that fund from any amounts designated as
20 being available for such purpose, other than principal of
21 bonds or notes which are not pledged to the payment of other
22 bonds or notes.

23 9. The authority may establish reserve funds, other than
24 capital reserve funds, to secure one or more issues of its
25 bonds or notes. The authority may deposit in a reserve fund
26 established under this subsection the proceeds of the sale of
27 its bonds or notes and other money which is made available
28 from any other source. The authority may allow a reserve fund
29 established under this subsection to be depleted without
30 complying with subsection 6 or subsection 8.

31 10. It is the intention of the general assembly that a
32 pledge made in respect of bonds or notes shall be valid and
33 binding from the time the pledge is made, that the money or
34 property so pledged and received after the pledge by the
35 authority shall immediately be subject to the lien of the

1 pledge without physical delivery or further act, and that the
2 lien of the pledge shall be valid and binding as against all
3 parties having claims of any kind in tort, contract, or
4 otherwise against the authority whether or not the parties
5 have notice of the lien. Neither the resolution, trust
6 agreement, nor any other instrument by which a pledge is
7 created needs to be recorded or filed under the Iowa uniform
8 commercial code to be valid, binding, or effective against the
9 parties.

10 11. Neither the members of the authority nor a person
11 executing the bonds or notes are liable personally on the
12 bonds or notes or are subject to personal liability or
13 accountability by reason of the issuance of the bonds or
14 notes.

15 12. The bonds or notes issued by the authority are not an
16 indebtedness or other liability of the state or of a political
17 subdivision of the state, except the authority, and are
18 payable solely from the income and receipts or other funds or
19 property of the authority. The authority shall not pledge the
20 faith or credit of the state or of a political subdivision of
21 the state, except the authority, to the payment of a bond or
22 note. The issuance of a bond or note by the authority does
23 not directly, indirectly, or contingently obligate the state
24 or a political subdivision of the state to apply money from,
25 or levy or pledge any form of taxation whatever to the payment
26 of the bond or note.

27 13. The state pledges to and agrees with the holders of
28 bonds or notes issued under the Iowa economic development bond
29 bank program, that the state will not limit or alter the
30 rights and powers vested in the authority to fulfill the terms
31 of a contract made by the authority with respect to the bonds
32 or notes, or in any way impair the rights and remedies of the
33 holders until the bonds and notes, together with the interest
34 on them including interest on unpaid installments of interest,
35 and all costs and expenses in connection with an action or

1 proceeding by or on behalf of the holders, are fully met and
2 discharged. The authority is authorized to include this
3 pledge and agreement of the state, as it refers to holders of
4 bonds or notes of the authority, in a contract with the
5 holders.

6 Sec. 7. NEW SECTION. 220.98 EXEMPTION FROM TAXATION.

7 The interest on all bonds or notes issued with respect to
8 the Iowa economic development bond bank program created in
9 this chapter is exempt from taxation.

10 Sec. 8. NEW SECTION. 220.99 ADOPTION OF RULES.

11 The board of directors of the authority shall adopt rules
12 pursuant to chapter 17A to implement sections 220.93 to
13 220.99.

14 Sec. 9. There is appropriated to the Iowa finance
15 authority from the Iowa plan fund five hundred thousand
16 (500,000) dollars for the fiscal year beginning July 1, 1986
17 and ending June 30, 1987 for the purpose of establishing the
18 Iowa economic development bond bank program to be used for the
19 payment of administrative costs, establishing capital reserve
20 funds, and payment of other costs associated with the program.
21 Of the amount appropriated in this section not more than one
22 hundred thousand dollars, or so much thereof as is necessary,
23 shall be used for the payment of administrative costs.

24 Notwithstanding section 8.33, the funds appropriated by
25 this section shall not revert to the treasurer of state or the
26 Iowa plan fund.

27 EXPLANATION

28 This bill authorizes the Iowa finance authority to initiate
29 an economic development bond bank program to issue bonds and
30 notes to provide low interest financing for business and
31 agricultural expansion and development. An initial
32 appropriation is made to establish the program. The
33 appropriation is from the Iowa plan fund for economic
34 development. The bill creates new sections tentatively
35 numbered 220.93 through 220.99.