

Reprinted 3/87

FILED MAR 20 1987

SENATE FILE 493
BY COMMITTEE ON SMALL BUSINESS AND
ECONOMIC DEVELOPMENT

(formerly SSB 198)
approved (4.8.87) 485P

Passed Senate, Date 3-25-87 (p. 873) Passed House, Date 4-14-87 (p. 306)

Vote: Ayes 36 Nays 12 Vote: Ayes 86 Nays 10

Approved May 5, 1987 (p. 1712)

A BILL FOR

1 An Act relating to the creation of a statewide regional network
2 of small business economic development corporations to assist
3 in providing financing for small businesses in the state.

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

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5-493

1 Section 1. Section 15.108, subsection 7, paragraph h,
2 unnumbered subparagraph 1, Code 1987, is amended to read as
3 follows:

4 ~~In addition, the department may establish~~ Establish a small
5 business advisory council to:

6 Sec. 2. Section 15.108, subsection 7, paragraph h, Code
7 1987, is amended by adding the following new subparagraph:

8 NEW SUBPARAGRAPH. (7) Assist in the development,
9 promotion, implementation, and administration of a statewide
10 regional network of corporations designed to increase the
11 availability of financing for small businesses.

12 Sec. 3. NEW SECTION. 15.261 PURPOSE.

13 The purpose of this part is to facilitate the establishment
14 and expansion of small businesses in this state by
15 coordinating the formation of a statewide regional network of
16 private sector small business economic development
17 corporations, which will serve as guarantors of loans made by
18 commercial lending institutions to small business
19 entrepreneurs, and to stimulate economic growth for small
20 business economic development through the partnership of state
21 or federal small business development financing programs.

22 Sec. 4. NEW SECTION. 15.262 DEFINITIONS.

23 As used in this part, unless the context otherwise
24 requires:

25 1. "Small business" means an enterprise located in this
26 state, except an enterprise organized to practice a
27 profession, as defined in section 496C.2, which is operated
28 for profit and under a single management, and has fewer than
29 twenty employees or an average annual gross income of less
30 than three million dollars over the last three years.

31 2. "Corporation" or "development corporation" means a
32 private sector small business economic development corporation
33 organized under chapter 504A or organized for pecuniary profit
34 under chapter 496A and includes development corporations
35 organized under chapter 496B.

1 3. "Region" means a private sector small business economic
2 development region.

3 4. "Fund" means the private sector small business economic
4 development corporation fund established under section 15.263.

5 5. "Contributor" means a private entity which commits to
6 contribute money to a development corporation, organized under
7 chapter 504A, upon the call of the corporation.

8 6. "Investor" means a private entity which invests money
9 in a corporation organized for pecuniary profit under chapter
10 496A.

11 7. "Council" means the small business advisory council
12 established by the department.

13 Sec. 5. NEW SECTION. 15.263 ESTABLISHMENT OF FUND.

14 There is established in the office of the treasurer of
15 state a private sector small business economic development
16 corporation fund. The fund may include appropriations and
17 other moneys for the purpose of loan guarantees under this
18 part. All state moneys allocated to a corporation shall be
19 from moneys previously appropriated to the fund.

20 Sec. 6. NEW SECTION. 15.264 COUNCIL DUTIES AND
21 ORGANIZATION -- FUND.

22 The council shall:

23 1. Manage and administer through the office of the
24 treasurer of state, state moneys appropriated to the fund.

25 2. Determine how the fund shall be allocated to the
26 corporations. The council shall not allocate state moneys to
27 a corporation in an amount that exceeds fifty percent of the
28 amount committed to be contributed or invested in a
29 corporation's account on call for the purposes of guaranteeing
30 small business loans under this part.

31 3. Initially establish at least six but not more than nine
32 geographically balanced regions throughout the state which
33 regions shall, to the maximum extent, be contiguous or
34 parallel the regional coordinating councils. However, the
35 council may by two-thirds vote increase the number of regions

- 1 to not more than sixteen.
- 2 4. Facilitate the establishment of at least one
3 corporation in each region of the state by contacting and
4 enlisting the participation of potential contributors,
5 investors, and economic development entities.
- 6 5. Actively cooperate with the corporation to seek
7 procurement of moneys available through federal funding
8 allocated for small business assistance programs.
- 9 6. Review, at regular and frequent intervals, all loans
10 guaranteed by state moneys under this part in order to ensure
11 the compliance of all parties with this part.
- 12 7. Supervise the monitoring of corporations which review
13 the operations of businesses started or expanded through state
14 funding made available under this part.
- 15 8. Ensure that all loans guaranteed under this part are
16 disbursed and collected without discrimination and in
17 accordance with section 601A.10, subsection 2. Particular
18 attention shall be given to targeted small businesses.
- 19 9. Coordinate the adoption of uniform rules in accordance
20 with chapter 17A as necessary or desirable for the supervision
21 of this part as administered by the corporations. These rules
22 shall include the following:
- 23 a. Criteria for the making of loans which may be
24 guaranteed by development corporations.
- 25 b. Requirements for the articles of incorporation and
26 bylaws of the corporations.
- 27 c. Maximum amounts of loans and guarantees.
- 28 d. Maximum time for repayment schedules.
- 29 e. Conflict of interest prohibitions.
- 30 f. The provision for adequate reserves for loan
31 guarantees.
- 32 g. The segregation of an accounting for moneys used for
33 loan guarantees to the extent the moneys include state
34 matching funds.
- 35 10. Meet at least once a month and as often as necessary.

1 11. Refrain from allocating any funds until at least one-
2 third of the regions have established private sector small
3 business economic development corporations.

4 Sec. 7. NEW SECTION. 15.265 POWERS OF CORPORATIONS.

5 1. A corporation has all powers otherwise granted it by
6 law and by its articles of incorporation and bylaws.

7 2. A corporation may develop a loan guarantee program,
8 subject to approval by the council, if:

9 a. State matching funds are requested to guarantee loans
10 made by private lending institutions to small businesses in
11 order to establish, maintain, or expand their operations.

12 b. The loan guarantee program conforms to rules adopted by
13 the council and, in the opinion of the council, promotes the
14 purposes of this part.

15 3. A corporation shall have the following duties and
16 responsibilities:

17 a. The management and administration of the fund.

18 b. The adoption of rules in accordance with chapter 17A as
19 necessary or desirable in conjunction with and under the
20 supervision of the council for the administration of this
21 part. The rules shall include:

22 (1) The making of loans eligible for guarantees by
23 development corporations.

24 (2) Requirements for the articles of incorporation and
25 bylaws of the corporations.

26 (3) Maximum amounts of loans and guarantees.

27 (4) Maximum time for repayment schedules.

28 (5) Conflict of interest prohibitions.

29 (6) The provision for adequate reserves for loan
30 guarantees.

31 (7) The segregation of and accounting for moneys used for
32 loan guarantees to the extent the moneys include state
33 matching funds.

34 4. Monitoring the operations of businesses started or
35 expanded through state funding made available under this part.

1 5. The active cooperation with the council to seek
2 procurement of moneys available through federal funding
3 allocations for small business assistance programs.

4 6. Ensuring that all loans guaranteed by a corporation
5 under this part are disbursed and collected without
6 discrimination and in accordance with section 601A.10,
7 subsection 2. Particular attention shall be given to targeted
8 small businesses.

9 7. Each corporation shall meet at least once a month and
10 as often as necessary.

11 8. Establishing joint ventures with area regional
12 coordinating councils when practical and whenever feasible.

13 Sec. 8. NEW SECTION. 15.266 TAX LIABILITY -- CREDIT.

14 Corporations organized in accordance with chapter 504A are
15 exempt from the tax imposed under section 422.33. For
16 purposes of avoiding federal tax liabilities, the articles of
17 incorporation of the corporations created under this division
18 shall be written in accordance with sections 504B.2 and
19 504B.3. Corporations organized for pecuniary profit are
20 subject to taxes imposed under section 422.33.

21 Sec. 9. NEW SECTION. 15.267 OBLIGATIONS OF STATE --
22 LIMITATIONS.

23 Loan guarantees made by a development corporation for which
24 the state has contributed matching funds under this part shall
25 be supported only by the moneys committed or contributed to
26 the corporation or the fund. A loan guarantee agreement made
27 by a corporation, contributor, or investor is not an
28 obligation of the state or any of its subdivisions, except to
29 the extent of moneys previously allocated to the corporation
30 from the fund. A corporation or the council shall not pledge
31 the credit or taxing power of the state and shall not make its
32 obligations payable out of any moneys other than those
33 committed or contributed to the corporation or previously
34 appropriated to the fund.

35 Sec. 10. CODE PLACEMENT. The Code editor shall codify new

1 section 15.261 through 15.267 as a new part in subchapter II
2 of chapter 15.

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EXPLANATION

The bill requires the department of economic development to reestablish a small business advisory council. The bill provides for the creation of a statewide regional network of private sector small business economic development corporations. The bill encourages investment or contributions from private or public sources to guarantee loans for small businesses. The advisory council is empowered to supervise and monitor the corporations securing financing for small businesses. The advisory council may match a development corporation fund up to fifty percent. A separate fund is established in the office of the treasurer of state to serve as the state portion of loan guarantees under the bill.

SENATE FILE 493

S-3262

- 1 Amend Senate File 493 as follows:
2 1. Page 1, by striking lines 1 through 11 and in-
3 serting the following:
4 "Section 1. Section 15.108, subsection 7, Code
5 1987, is amended by adding the following new
6 paragraph:
7 NEW PARAGRAPH. i. Assist in the development,
8 promotion, implementation, and administration of a
9 statewide network of regional corporations designed to
10 increase the availability of financing for small
11 businesses."
12 2. Page 2, by striking lines 11 and 12.
13 3. Page 2, line 20, by striking the word
14 "COUNCIL" and inserting the following: "BOARD".
15 4. Page 2, line 22, by striking the word
16 "council" and inserting the following: "board".
17 5. Page 2, line 26, by striking the word
18 "council" and inserting the following: "board".
19 6. Page 2, line 35, by striking the word
20 "council" and inserting the following: "board".
21 7. Page 4, line 8, by striking the word "council"
22 and inserting the following: "board".
23 8. Page 4, line 13, by striking the words
24 "council and, in the opinion of the council" and
25 inserting the following: "board and, in the opinion
26 of the board".
27 9. Page 4, line 20, by striking the word
28 "council" and inserting the following: "board".
29 10. Page 5, line 1, by striking the word
30 "council" and inserting the following: "board".
31 11. Page 5, line 17, by striking the word
32 "division" and inserting the following: "part".
33 12. Page 5, line 30, by striking the word
34 "council" and inserting the following: "board".

S-3262

Filed March 24, 1987

BY LEONARD L. BOSWELL
ALVIN V. MILLER

*Small Business 3/31/87
H. Pass 4/8/87 (p. 1231)*

SENATE FILE 493
BY COMMITTEE ON SMALL BUSINESS AND
ECONOMIC DEVELOPMENT

(AS AMENDED AND PASSED BY THE SENATE MARCH 25, 1987)

_____ - New Language by the Senate
* - Language Stricken by the Senate

~~R~~ Passed Senate, Date 4/21/87 (p. 1417) Passed House, Date 4-14-87 (p. 1305)
Vote: Ayes 44 Nays 0 Vote: Ayes 86 Nays 10
Approved May 5, 1987 (p. 1712)

A BILL FOR

1 An Act relating to the creation of a statewide regional network
2 of small business economic development corporations to assist
3 in providing financing for small businesses in the state.

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

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1 Section 1. Section 15.108, subsection 7, Code 1987, is
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. i. Assist in the development, promotion,
4 implementation, and administration of a statewide network of
5 regional corporations designed to increase the availability of
6 financing for small businesses.

7 Sec. 2. NEW SECTION. 15.261 PURPOSE.

8 The purpose of this part is to facilitate the establishment
9 and expansion of small businesses in this state by
10 coordinating the formation of a statewide regional network of
11 private sector small business economic development
12 corporations, which will serve as guarantors of loans made by
13 commercial lending institutions to small business
14 entrepreneurs, and to stimulate economic growth for small
15 business economic development through the partnership of state
16 or federal small business development financing programs.

17 Sec. 3. NEW SECTION. 15.262 DEFINITIONS.

18 As used in this part, unless the context otherwise
19 requires:

20 1. "Small business" means an enterprise located in this
21 state, except an enterprise organized to practice a
22 profession, as defined in section 496C.2, which is operated
23 for profit and under a single management, and has fewer than
24 twenty employees or an average annual gross income of less
25 than three million dollars over the last three years.

26 2. "Corporation" or "development corporation" means a
27 private sector small business economic development corporation
28 organized under chapter 504A or organized for pecuniary profit
29 under chapter 496A and includes development corporations
30 organized under chapter 496B.

31 3. "Region" means a private sector small business economic
32 development region.

33 4. "Fund" means the private sector small business economic
34 development corporation fund established under section 15.263.

35 5. "Contributor" means a private entity which commits to

1 contribute money to a development corporation, organized under
2 chapter 504A, upon the call of the corporation.

3 6. "Investor" means a private entity which invests money
4 in a corporation organized for pecuniary profit under chapter
5 496A.

* 6 Sec. 4. NEW SECTION. 15.263 ESTABLISHMENT OF FUND.

7 There is established in the office of the treasurer of
8 state a private sector small business economic development
9 corporation fund. The fund may include appropriations and
10 other moneys for the purpose of loan guarantees under this
11 part. All state moneys allocated to a corporation shall be
12 from moneys previously appropriated to the fund.

13 Sec. 5. NEW SECTION. 15.264 BOARD DUTIES AND
14 ORGANIZATION -- FUND.

15 The board shall:

16 1. Manage and administer through the office of the
17 treasurer of state, state moneys appropriated to the fund.

18 2. Determine how the fund shall be allocated to the
19 corporations. The board shall not allocate state moneys to a
20 corporation in an amount that exceeds fifty percent of the
21 amount committed to be contributed or invested in a
22 corporation's account on call for the purposes of guaranteeing
23 small business loans under this part.

24 3. Initially establish at least six but not more than nine
25 geographically balanced regions throughout the state which
26 regions shall, to the maximum extent, be contiguous or
27 parallel the regional coordinating councils. However, the
28 board may by two-thirds vote increase the number of regions to
29 not more than sixteen.

30 4. Facilitate the establishment of at least one
31 corporation in each region of the state by contacting and
32 enlisting the participation of potential contributors,
33 investors, and economic development entities.

34 5. Actively cooperate with the corporation to seek
35 procurement of moneys available through federal funding

1 allocated for small business assistance programs.

2 6. Review, at regular and frequent intervals, all loans
3 guaranteed by state moneys under this part in order to ensure
4 the compliance of all parties with this part.

5 7. Supervise the monitoring of corporations which review
6 the operations of businesses started or expanded through state
7 funding made available under this part.

8 8. Ensure that all loans guaranteed under this part are
9 disbursed and collected without discrimination and in
10 accordance with section 601A.10, subsection 2. Particular
11 attention shall be given to targeted small businesses.

12 9. Coordinate the adoption of uniform rules in accordance
13 with chapter 17A as necessary or desirable for the supervision
14 of this part as administered by the corporations. These rules
15 shall include the following:

16 a. Criteria for the making of loans which may be
17 guaranteed by development corporations.

18 b. Requirements for the articles of incorporation and
19 bylaws of the corporations.

20 c. Maximum amounts of loans and guarantees.

21 d. Maximum time for repayment schedules.

22 e. Conflict of interest prohibitions.

23 f. The provision for adequate reserves for loan
24 guarantees.

25 g. The segregation of an accounting for moneys used for
26 loan guarantees to the extent the moneys include state
27 matching funds.

28 10. Meet at least once a month and as often as necessary.

29 11. Refrain from allocating any funds until at least one-
30 third of the regions have established private sector small
31 business economic development corporations.

32 Sec. 6. NEW SECTION. 15.265 POWERS OF CORPORATIONS.

33 1. A corporation has all powers otherwise granted it by
34 law and by its articles of incorporation and bylaws.

35 2. A corporation may develop a loan guarantee program,

1 subject to approval by the board, if:

2 a. State matching funds are requested to guarantee loans
3 made by private lending institutions to small businesses in
4 order to establish, maintain, or expand their operations.

5 b. The loan guarantee program conforms to rules adopted by
6 the board and, in the opinion of the board, promotes the
7 purposes of this part.

8 3. A corporation shall have the following duties and
9 responsibilities:

10 a. The management and administration of the fund.

11 b. The adoption of rules in accordance with chapter 17A as
12 necessary or desirable in conjunction with and under the
13 supervision of the board for the administration of this part.

14 The rules shall include:

15 (1) The making of loans eligible for guarantees by
16 development corporations.

17 (2) Requirements for the articles of incorporation and
18 bylaws of the corporations.

19 (3) Maximum amounts of loans and guarantees.

20 (4) Maximum time for repayment schedules.

21 (5) Conflict of interest prohibitions.

22 (6) The provision for adequate reserves for loan
23 guarantees.

24 (7) The segregation of and accounting for moneys used for
25 loan guarantees to the extent the moneys include state
26 matching funds.

27 4. Monitoring the operations of businesses started or
28 expanded through state funding made available under this part.

29 5. The active cooperation with the board to seek
30 procurement of moneys available through federal funding
31 allocations for small business assistance programs.

32 6. Ensuring that all loans guaranteed by a corporation
33 under this part are disbursed and collected without
34 discrimination and in accordance with section 601A.10,
35 subsection 2. Particular attention shall be given to targeted

1 small businesses.

2 7. Each corporation shall meet at least once a month and
3 as often as necessary.

4 8. Establishing joint ventures with area regional
5 coordinating councils when practical and whenever feasible.

6 Sec. 7. NEW SECTION. 15.266 TAX LIABILITY -- CREDIT.

7 Corporations organized in accordance with chapter 504A are
8 exempt from the tax imposed under section 422.33. For
9 purposes of avoiding federal tax liabilities, the articles of
10 incorporation of the corporations created under this part
11 shall be written in accordance with sections 504B.2 and
12 504B.3. Corporations organized for pecuniary profit are
13 subject to taxes imposed under section 422.33.

14 Sec. 8. NEW SECTION. 15.267 OBLIGATIONS OF STATE --
15 LIMITATIONS.

16 Loan guarantees made by a development corporation for which
17 the state has contributed matching funds under this part shall
18 be supported only by the moneys committed or contributed to
19 the corporation or the fund. A loan guarantee agreement made
20 by a corporation, contributor, or investor is not an
21 obligation of the state or any of its subdivisions, except to
22 the extent of moneys previously allocated to the corporation
23 from the fund. A corporation or the board shall not pledge
24 the credit or taxing power of the state and shall not make its
25 obligations payable out of any moneys other than those
26 committed or contributed to the corporation or previously
27 appropriated to the fund.

28 Sec. 9. CODE PLACEMENT. The Code editor shall codify new
29 section 15.261 through 15.267 as a new part in subchapter II
30 of chapter 15.

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HOUSE AMENDMENT TO
SENATE FILE 493

3-3651

1 Amend Senate File 493 as amended, passed, and
2 reprinted by the Senate as follows:

3 1. Page 2, by inserting after line 12 the follow-
4 ing:

5 "Interest accrued by the fund shall be credited to
6 and deposited in the fund."

7 2. Page 2, by striking lines 24 through 29 and
8 inserting the following:

9 "3. Establish regions that have the same area
10 boundaries as that of the regional coordinating
11 councils established pursuant to section 28.101,
12 subsection 2."

13 3. Page 3, by striking lines 8 through 11 and
14 inserting the following:

15 "8. a. Ensure that all operations of the board
16 and corporations authorized under this part comply
17 with the affirmative action requirements of chapter
18 19B.

19 b. Ensure that all loans guaranteed under this
20 part are disbursed and collected without
21 discrimination and in accordance with section 601A.10,
22 subsection 2.

23 c. Ensure that the loans guaranteed under this
24 part are disbursed and utilized in accordance with the
25 targeted small business set-aside requirements of
26 sections 73.15 through 73.21."

27 4. Page 3, line 12, by striking the words
28 "Coordinate the adoption of uniform" and inserting the
29 following: "Adopt".

30 5. Page 3, by striking line 14 and inserting the
31 following: "and the direction of the corporations for
32 the uniform implementation of this part. These
33 rules".

34 6. Page 4, line 10, by inserting after the word
35 "of" the following: "moneys allocated to it from".

36 7. Page 4, by striking lines 11 through 26.

37 8. Page 4, line 27, by striking the figure "4."
38 and inserting the following: "b."

39 9. Page 4, line 29, by striking the figure "5."
40 and inserting the following: "c."

41 10. Page 4, line 32, by striking the figure "6."
42 and inserting the following: "d."

43 11. Page 5, line 2, by striking the figure "7."
44 and inserting the following: "e."

45 12. Page 5, line 4, by striking the figure "8."
46 and inserting the following: "f."

47 13. Page 5, by inserting after line 5 the
48 following:

49 "g. Coordinate its activities with the small
50 business development centers, institutions under the

SENATE 5
April 20, 1987

S-3651 pg. 2

1 control of the boards of regents, private colleges and
2 universities and other public entities that are
3 interested in economic development."

4 14. Page 5, by inserting after line 27 the
5 following:

6 — "Sec. ____ . NEW SECTION. 15.268 NO RESTRICTION.

7 Nothing in this part shall be construed so as to
8 restrict any corporation from fulfilling the purpose
9 of this part if that corporation has not received
10 state moneys under this part."

11 15. By renumbering, relettering, or redesignating
12 and correcting internal references as necessary.

S-3651

Filed April 16, 1987

RECEIVED FROM THE HOUSE

Senate concurred 4/21/87 (p. 1417)

1 Amend Senate File 493 as amended, passed, and
 2 reprinted by the Senate as follows:
 3 1. Page 2, by striking lines 24 through 29 and
 4 inserting the following:
 5 "3. Establish regions that have the same area
 6 boundaries as that of the regional coordinating
 7 councils established pursuant to section 28.101,
 8 subsection 2. A corporation designated for a region
 9 may enter into an agreement under chapter 28E with
 10 other such corporations for the purpose of this part
 11 for their regions. These corporations shall be
 12 considered public agencies for purposes of chapter
 13 28E."
 14 2. Page 3, line 12, by striking the words
 15 "Coordinate the adoption of uniform" and inserting the
 16 following: "Adopt".
 17 3. Page 3, by striking line 14 and inserting the
 18 following: "and the direction of the corporations for
 19 the uniform implementation of this part. These
 20 rules".
 21 4. Page 4, line 10, by inserting after the word
 22 "of" the following: "moneys allocated to it from".
 23 5. Page 4, by striking lines 11 through 26.
 24 6. Page 4, line 27, by striking the figure "4."
 25 and inserting the following: "b."
 26 7. Page 4, line 29, by striking the figure "5."
 27 and inserting the following: "c."
 28 8. Page 4, line 32, by striking the figure "6."
 29 and inserting the following: "d."
 30 9. Page 5, line 2, by striking the figure "7."
 31 and inserting the following: "e."
 32 10. Page 5, line 4, by striking the figure "8."
 33 and inserting the following: "f."
 34 11. Page 5, by inserting after line 5 the
 35 following:
 36 "g. Coordinate its activities with the small
 37 business development centers, institutions under the
 38 control of the boards of regents, private colleges and
 39 universities and other public entities located within
 40 its area that are interested in economic development."
 41 12. Page 5, by inserting after line 27 the
 42 following:
 43 "Sec. ____ . NEW SECTION. 15.268 NO RESTRICTION.
 44 Nothing in this part shall be construed so as to
 45 restrict any corporation from fulfilling the purpose
 46 of this part if that corporation has not received
 47 state moneys under this part."

BY COMMITTEE ON SMALL
 BUSINESS AND COMMERCE

H-3675 FILED APRIL 8, 1987

*Adopted as amended by 3687, 3717B
 4/19/87 (p. 1304)*

SENATE FILE 493

H-3689

1 Amend the amendment, H-3675, to Senate File 493 as
2 follows:

3 1. Page 1, by striking lines 8 through 13 and in-
4 serting the following: "subsection 2."

H-3689 FILED APRIL 9, 1987 BY NEUHAUSER of Johnson

Adopted 4/14/87 (p. 1303)

SENATE FILE 493

H-3717

1 Amend the amendment, H-3675, to Senate File 493, as
2 amended, passed, and reprinted by the Senate, as
3 follows:

4 1. Page 1, lines 8 through 13, by striking the
5 words "A corporation designated for a region may enter
6 into an agreement under chapter 28E with other such
7 corporations for the purpose of this part for their
8 regions. These corporations shall be considered
9 public agencies for purposes of chapter 28E."

10 2. Page 1, lines 39 and 40, by striking the words
11 "located within its area".

H-3717 FILED APRIL 10, 1987 BY METCALF of Polk

B-Adopted, A-Rec'd o/o 4/14 (p. 1304)

SENATE FILE 493

H-3719

1 Amend Senate File 493, as amended, passed, and re-
2 printed by the Senate, as follows:

3 1. Page 2, by inserting after line 12 the follow-
4 ing:

5 "Interest accrued by the fund shall be credited to
6 and deposited in the fund."

BY METCALF of Polk

H-3719 FILED APRIL 10, 1987

HANSEN of Woodbury

Adopted 4/14/87 (p. 1304)

SENATE FILE 493

H-3720

1 Amend Senate File 493, as amended, passed, and
2 reprinted by the Senate as follows:

3 1. Page 3, by striking lines 8 through 11 and
4 inserting the following:

5 "8. a. Ensure that all operations of the board
6 and corporations authorized under this part comply
7 with the affirmative action requirements of chapter
8 19B.

9 b. Ensure that all loans guaranteed under this
10 part are disbursed and collected without
11 discrimination and in accordance with section 601A.10,
12 subsection 2.

13 c. Ensure that the loans guaranteed under this
14 part are disbursed and utilized in accordance with the
15 targeted small business set-aside requirements of
16 sections 73.15 through 73.21."

H-3720 FILED APRIL 10, 1987 BY BRAMMER of Linn

Adopted 4/14/87 (p. 1304)

SSB #181
Small Business and
Economic Development

SENATE FILE 493
BY (PROPOSED SMALL BUSINESS AND
ECONOMIC DEVELOPMENT BILL)

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

A BILL FOR

1 An Act relating to the creation of a statewide network of small
2 business economic development corporations to assist in
3 providing financing for small businesses in the state.

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

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1 Section 1. Section 15.108, subsection 7, paragraph h,
2 unnumbered subparagraph 1, Code 1987, is amended to read as
3 follows:

4 ~~in-addition, the department may establish~~ Establish a small
5 business advisory council to:

6 Sec. 2. Section 15.108, subsection 7, paragraph h, Code
7 1987, is amended by adding the following new numbered
8 subparagraph:

9 NEW NUMBERED SUBPARAGRAPH. (7) Assist in the development,
10 promotion, implementation, and administration of a statewide
11 network of corporations designed to increase the availability
12 of financing for small businesses.

13 Sec. 3. NEW SECTION. 15.261 PURPOSE.

14 The purpose of this part is to facilitate the establishment
15 and expansion of small businesses in this state by
16 coordinating the formation of a statewide network of private
17 sector small business economic development corporations, which
18 will serve as guarantors of loans made by commercial lending
19 institutions to small business entrepreneurs, and to stimulate
20 economic growth for small business economic development
21 through the partnership of state or federal small business
22 development financing programs.

23 Sec. 4. NEW SECTION. 15.262 DEFINITIONS.

24 As used in this part, unless the context otherwise
25 requires:

26 1. "Small business" means an enterprise located in this
27 state, except an enterprise organized to practice a
28 profession, as defined in section 496C.2, which is operated
29 for profit and under a single management, and has fewer than
30 twenty employees or an average annual gross income of less
31 than three million dollars over the last three years.

32 2. "Corporation" or "development corporation" means a
33 private sector small business economic development corporation
34 organized under chapter 504A or organized for pecuniary profit
35 under chapter 496A and includes development corporations

1 organized under chapter 496B.

2 3. "Region" means a private sector small business economic
3 development region.

4 4. "Fund" means the small business economic development
5 fund established under section 15.263.

6 5. "Contributor" means a private entity which commits to
7 contribute money to a development corporation, organized under
8 chapter 504A, upon the call of the corporation.

9 6. "Investor" means a private entity which invests money
10 in a corporation organized for pecuniary profit under chapter
11 496A.

12 7. "Council" means the small business advisory council
13 established by the department.

14 Sec. 5. NEW SECTION. 15.263 COUNCIL DUTIES AND
15 ORGANIZATION -- FUND.

16 The council shall:

17 1. Manage and otherwise administer the small business
18 economic development fund. There is established in the office
19 of the treasurer of state a small business economic
20 development fund. The fund may include appropriations and
21 other moneys made available to the council for the purposes of
22 loan guarantees under this part. All state moneys allocated
23 to the corporations shall be from moneys previously
24 appropriated to the council.

25 2. Determine how the fund shall be allocated to the
26 corporations. The council shall not allocate state moneys to
27 a corporation in an amount that exceeds fifty percent of the
28 amount committed to be contributed or invested in a
29 corporation's account on call for the purposes of guaranteeing
30 small business loans under this part.

31 3. Initially establish at least six but not more than nine
32 geographically balanced regions throughout the state.
33 However, the council may by two-thirds vote increase the
34 number of regions to not more than sixteen.

35 4. Facilitate the establishment of at least one

1 corporation in each region of the state by contacting and
2 enlisting the participation of potential contributors,
3 investors, and economic development entities.

4 5. Actively seek procurement of moneys available through
5 federal funding allocated for small business assistance
6 programs.

7 6. Review, at regular and frequent intervals, all loans
8 guaranteed by state moneys under this part in order to ensure
9 the compliance of all parties with this part.

10 7. Monitor the operations of businesses started or
11 expanded through funding made available under this part.

12 8. Ensure that all loans guaranteed in part under this
13 part are disbursed and collected without discrimination and in
14 accordance with section 601A.10, subsection 2.

15 9. Adopt rules in accordance with chapter 17A as necessary
16 or desirable for the administration of this part, including
17 but not limited to:

18 a. Rules governing the making of loans eligible for
19 guarantees by development corporations.

20 b. Requirements for the articles of incorporation and
21 bylaws of the corporations.

22 c. Maximum amounts of loans and guarantees.

23 d. Maximum time for repayment schedules.

24 e. Conflict of interest prohibitions.

25 f. The provision for adequate reserves for loan
26 guarantees.

27 g. The segregation of and accounting for moneys used for
28 loan guarantees to the extent the moneys include state
29 matching funds.

30 10. The council shall meet at least once a month and as
31 often as necessary.

32 11. Refrain from allocating any funds until at least one-
33 third of the regions have established private sector small
34 business economic development corporations.

35 Sec. 6. NEW SECTION. 15.264 POWERS OF CORPORATIONS.

1 1. A corporation has all powers otherwise granted it by
2 law and by its articles of incorporation and bylaws.

3 2. A corporation may develop a program, subject to
4 approval by the council, if:

5 a. State matching funds are requested to guarantee loans
6 made by private lending institutions to small businesses in
7 order to establish, maintain, or expand their operations.

8 b. The program must conform to rules adopted by the
9 council and must, in the opinion of the council, promote the
10 purposes of this part.

11 Sec. 7. NEW SECTION. 15.265 TAX LIABILITY -- CREDIT.

12 Corporations organized in accordance with chapter 504A are
13 exempt from the tax imposed under section 422.33. For
14 purposes of avoiding federal tax liabilities, the articles of
15 incorporation of the corporations created under this division
16 shall be written in accordance with sections 504B.2 and
17 504B.3. Corporations organized for pecuniary profit are
18 subject to taxes imposed under section 422.33.

19 Sec. 8. NEW SECTION. 15.266 OBLIGATIONS OF STATE --
20 LIMITATIONS.

21 Loan guarantees made by a development corporation for which
22 the state has contributed matching funds under this part shall
23 be supported only by the moneys committed or contributed to
24 the corporation or the fund. A loan guarantee agreement made
25 by a corporation, contributor, or investor is not an
26 obligation of the state or any of its subdivisions, except to
27 the extent of moneys previously allocated to the corporation
28 from the fund. A corporation or the council shall not pledge
29 the credit or taxing power of the state and shall not make its
30 obligations payable out of any moneys other than those
31 committed or contributed to the corporation or previously
32 appropriated to the fund.

33 Sec. 9. CODE PLACEMENT. The Code editor shall codify new
34 section 15.261 through 15.266 as a new part in subchapter II
35 of chapter 15.

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EXPLANATION

The bill requires the department of economic development to establish a small business advisory council which it has done already. The bill provides for the creation of a statewide network of private sector small business development corporations and allows the advisory council to assist the corporations in providing financing to small businesses by guaranteeing loans made to the small business from the separate fund set up in the treasurer of state's office.

SSB # 198
Small Business &
Economic Development

SENATE FILE _____
BY (PROPOSED SMALL BUSINESS AND
ECONOMIC DEVELOPMENT BILL)

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

A BILL FOR

1 An Act relating to the creation of a statewide regional network
2 of small business economic development corporations to assist
3 in providing financing for small businesses in the state.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SUB COMMITTEE ASSIGNMENTS

CHAIR: *A. Miller*

COMMITTEE: *Small Business*

3/14/87

1 Section 1. Section 15.108, subsection 7, paragraph h,
2 unnumbered subparagraph 1, Code 1987, is amended to read as
3 follows:

4 ~~In addition, the department may establish~~ Establish a small
5 business advisory council to:

6 Sec. 2. Section 15.108, subsection 7, paragraph h, Code
7 1987, is amended by adding the following new numbered
8 subparagraph:

9 NEW NUMBERED SUBPARAGRAPH. (7) Assist in the development,
10 promotion, implementation, and administration of a statewide
11 regional network of corporations designed to increase the
12 availability of financing for small businesses.

13 Sec. 3. NEW SECTION. 15.261 PURPOSE.

14 The purpose of this part is to facilitate the establishment
15 and expansion of small businesses in this state by
16 coordinating the formation of a statewide regional network of
17 private sector small business economic development
18 corporations, which will serve as guarantors of loans made by
19 commercial lending institutions to small business
20 entrepreneurs, and to stimulate economic growth for small
21 business economic development through the partnership of state
22 or federal small business development financing programs.

23 Sec. 4. NEW SECTION. 15.262 DEFINITIONS.

24 As used in this part, unless the context otherwise
25 requires:

26 1. "Small business" means an enterprise located in this
27 state, except an enterprise organized to practice a
28 profession, as defined in section 496C.2, which is operated
29 for profit and under a single management, and has fewer than
30 twenty employees or an average annual gross income of less
31 than three million dollars over the last three years.

32 2. "Corporation" or "development corporation" means a
33 private sector small business economic development corporation
34 organized under chapter 504A or organized for pecuniary profit
35 under chapter 496A and includes development corporations

1 organized under chapter 496B.

2 3. "Region" means a private sector small business economic
3 development region.

4 4. "Fund" means the private sector small business economic
5 development corporation fund established under section 15.263.

6 5. "Contributor" means a private entity which commits to
7 contribute money to a development corporation, organized under
8 chapter 504A, upon the call of the corporation.

9 6. "Investor" means a private entity which invests money
10 in a corporation organized for pecuniary profit under chapter
11 496A.

12 7. "Council" means the small business advisory council
13 established by the department.

14 Sec. 5. NEW SECTION. 15.263 ESTABLISHMENT OF FUND.

15 There is established in the office of the treasurer of
16 state a private sector small business economic development
17 corporation fund. The fund may include appropriations and
18 other moneys for the purpose of loan guarantees under this
19 part. All state moneys allocated to a corporation shall be
20 from moneys previously appropriated to the fund.

21 Sec. 6. NEW SECTION. 15.264 COUNCIL DUTIES AND
22 ORGANIZATION -- FUND.

23 The council shall:

24 1. Manage and administer through the office of the
25 treasurer of state, state moneys appropriated to the fund.

26 2. Determine how the fund shall be allocated to the
27 corporations. The council shall not allocate state moneys to
28 a corporation in an amount that exceeds fifty percent of the
29 amount committed to be contributed or invested in a
30 corporation's account on call for the purposes of guaranteeing
31 small business loans under this part.

32 3. Initially establish at least six but not more than nine
33 geographically balanced regions throughout the state which
34 regions shall, to the maximum extent, be contiguous or
35 parallel the regional coordinating councils. However, the

1 council may by two-thirds vote increase the number of regions
2 to not more than sixteen.

3 4. Facilitate the establishment of at least one
4 corporation in each region of the state by contacting and
5 enlisting the participation of potential contributors,
6 investors, and economic development entities.

7 5. Actively cooperate with the corporation to seek
8 procurement of moneys available through federal funding
9 allocated for small business assistance programs.

10 6. Review, at regular and frequent intervals, all loans
11 guaranteed by state moneys under this part in order to ensure
12 the compliance of all parties with this part.

13 7. Supervise the monitoring of corporations which review
14 the operations of businesses started or expanded through state
15 funding made available under this part.

16 8. Ensure that all loans guaranteed under this part are
17 disbursed and collected without discrimination and in
18 accordance with section 601A.10, subsection 2. Particular
19 attention shall be given to targeted small businesses.

20 9. Coordinate the adoption of uniform rules in accordance
21 with chapter 17A as necessary or desirable for the supervision
22 of this part as administered by the corporations. These rules
23 shall include the following:

24 a. Criteria for the making of loans which may be
25 guaranteed by development corporations.

26 b. Requirements for the articles of incorporation and
27 bylaws of the corporations.

28 c. Maximum amounts of loans and guarantees.

29 d. Maximum time for repayment schedules.

30 e. Conflict of interest prohibitions.

31 f. The provision for adequate reserves for loan
32 guarantees.

33 g. The segregation of an accounting for moneys used for
34 loan guarantees to the extent the moneys include state
35 matching funds.

1 10. Meet at least once a month and as often as necessary.

2 11. Refrain from allocating any funds until at least one-
3 third of the regions have established private sector small
4 business economic development corporations.

5 Sec. 7. NEW SECTION. 15.265 POWERS OF CORPORATIONS.

6 1. A corporation has all powers otherwise granted it by
7 law and by its article of incorporation and bylaws.

8 2. A corporation may develop a loan guarantee program,
9 subject to approval by the council, if:

10 a. State matching funds are requested to guarantee loans
11 made by private lending institutions to small businesses in
12 order to establish, maintain, or expand their operations.

13 b. The loan guarantee program conforms to rules adopted by
14 the council and, in the opinion of the council, promotes the
15 purposes of this part.

16 3. A corporation shall have the following duties and
17 responsibilities:

18 a. The management and administration of the fund.

19 b. The adoption of rules in accordance with chapter 17A as
20 necessary or desirable in conjunction with and under the
21 supervision of the council for the administration of this
22 part. The rules shall include:

23 (1) The making of loans eligible for guarantees by
24 development corporations.

25 (2) Requirements for the articles of incorporation and
26 bylaws of the corporations.

27 (3) Maximum amounts of loans and guarantees.

28 (4) Maximum time for repayment schedules.

29 (5) Conflict of interest prohibitions.

30 (6) The provision for adequate reserves for loan
31 guarantees.

32 (7) The segregation of and accounting for moneys used for
33 loan guarantees to the extent the moneys include state
34 matching funds.

35 4. Monitoring the operations of businesses started or

1 expanded through state funding made available under this part.

2 5. The active cooperation with the council to seek
3 procurement of moneys available through federal funding
4 allocations for small business assistance programs.

5 6. Ensuring that all loans guaranteed by a corporation
6 under this part are disbursed and collected without
7 discrimination and in accordance with section 601A.10,
8 subsection 2. Particular attention shall be given to targeted
9 small businesses.

10 7. Each corporation shall meet at least once a month and
11 as often as necessary.

12 8. Establishing joint ventures with area regional
13 coordinating councils when practical and whenever feasible.

14 Sec. 8. NEW SECTION. 15.266 TAX LIABILITY -- CREDIT.

15 Corporations organized in accordance with chapter 504A are
16 exempt from the tax imposed under section 422.33. For
17 purposes of avoiding federal tax liabilities, the articles of
18 incorporation of the corporations created under this division
19 shall be written in accordance with sections 504B.2 and
20 504B.3. Corporations organized for pecuniary profit are
21 subject to taxes imposed under section 422.33.

22 Sec. 9. NEW SECTION. 15.267 OBLIGATIONS OF STATE --
23 LIMITATIONS.

24 Loan guarantees made by a development corporation for which
25 the state has contributed matching funds under this part shall
26 be supported only by the moneys committed or contributed to
27 the corporation or the fund. A loan guarantee agreement made
28 by a corporation, contributor, or investor is not an
29 obligation of the state or any of its subdivisions, except to
30 the extent of moneys previously allocated to the corporation
31 from the fund. A corporation or the council shall not pledge
32 the credit or taxing power of the state and shall not make its
33 obligations payable out of any moneys other than those
34 committed or contributed to the corporation or previously
35 appropriated to the fund.

1 Sec. 10. CODE PLACEMENT. The Code editor shall codify new
2 section 15.261 through 15.267 as a new part in subchapter II
3 of chapter 15.

4 EXPLANATION

5 The bill requires the department of economic development to
6 reestablish a small business advisory council. The bill
7 provides for the creation of a statewide regional network of
8 private sector small business economic development
9 corporations. The bill encourages investment or contributions
10 from private or public sources to guarantee loans for small
11 businesses. The advisory council is empowered to supervise
12 and monitor the corporations securing financing for small
13 businesses. The advisory council may match a development
14 corporation fund up to fifty percent. A separate fund is
15 established in the office of the treasurer of state to serve
16 as the state portion of loan guarantees under the bill.

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SENATE FILE 493

AN ACT

RELATING TO THE CREATION OF A STATEWIDE REGIONAL NETWORK OF SMALL BUSINESS ECONOMIC DEVELOPMENT CORPORATIONS TO ASSIST IN PROVIDING FINANCING FOR SMALL BUSINESSES IN THE STATE.

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

Section 1. Section 15.108, subsection 7, Code 1987, is amended by adding the following new paragraph:

NEW PARAGRAPH. i. Assist in the development, promotion, implementation, and administration of a statewide network of regional corporations designed to increase the availability of financing for small businesses.

Sec. 2. NEW SECTION. 15.261 PURPOSE.

The purpose of this part is to facilitate the establishment and expansion of small businesses in this state by coordinating the formation of a statewide regional network of private sector small business economic development corporations, which will serve as guarantors of loans made by commercial lending institutions to small business entrepreneurs, and to stimulate economic growth for small business economic development through the partnership of state or federal small business development financing programs.

Sec. 3. NEW SECTION. 15.262 DEFINITIONS.

As used in this part, unless the context otherwise requires:

1. "Small business" means an enterprise located in this state, except an enterprise organized to practice a profession, as defined in section 496C.2, which is operated for profit and under a single management, and has fewer than twenty employees or an average annual gross income of less than three million dollars over the last three years.

2. "Corporation" or "development corporation" means a private sector small business economic development corporation organized under chapter 504A or organized for pecuniary profit under chapter 496A and includes development corporations organized under chapter 496B.

3. "Region" means a private sector small business economic development region.

4. "Fund" means the private sector small business economic development corporation fund established under section 15.263.

5. "Contributor" means a private entity which commits to contribute money to a development corporation, organized under chapter 504A, upon the call of the corporation.

6. "Investor" means a private entity which invests money in a corporation organized for pecuniary profit under chapter 496A.

Sec. 4. NEW SECTION. 15.263 ESTABLISHMENT OF FUND.

There is established in the office of the treasurer of state a private sector small business economic development corporation fund. The fund may include appropriations and other moneys for the purpose of loan guarantees under this part. All state moneys allocated to a corporation shall be from moneys previously appropriated to the fund.

Interest accrued by the fund shall be credited to and deposited in the fund.

Sec. 5. NEW SECTION. 15.264 BOARD DUTIES AND ORGANIZATION -- FUND.

The board shall:

1. Manage and administer through the office of the treasurer of state, state moneys appropriated to the fund.

2. Determine how the fund shall be allocated to the corporations. The board shall not allocate state moneys to a corporation in an amount that exceeds fifty percent of the amount committed to be contributed or invested in a corporation's account on call for the purposes of guaranteeing small business loans under this part.

3. Establish regions that have the same area boundaries as that of the regional coordinating councils established pursuant to section 28.101, subsection 2.

4. Facilitate the establishment of at least one corporation in each region of the state by contacting and enlisting the participation of potential contributors, investors, and economic development entities.

5. Actively cooperate with the corporation to seek procurement of moneys available through federal funding allocated for small business assistance programs.

6. Review, at regular and frequent intervals, all loans guaranteed by state moneys under this part in order to ensure the compliance of all parties with this part.

7. Supervise the monitoring of corporations which review the operations of businesses started or expanded through state funding made available under this part.

8. a. Ensure that all operations of the board and corporations authorized under this part comply with the affirmative action requirements of chapter 19B.

b. Ensure that all loans guaranteed under this part are disbursed and collected without discrimination and in accordance with section 601A.10, subsection 2.

c. Ensure that the loans guaranteed under this part are disbursed and utilized in accordance with the targeted small business set-aside requirements of sections 21.15 through 21.21.

9. Adopt rules in accordance with chapter 17A as necessary or desirable for the supervision and the direction of the corporations for the uniform implementation of this part. These rules shall include the following:

a. Criteria for the making of loans which may be guaranteed by development corporations.

b. Requirements for the articles of incorporation and bylaws of the corporations.

c. Maximum amounts of loans and guarantees.

d. Maximum time for repayment schedules.

e. Conflict of interest prohibitions.

f. The provision for adequate reserves for loan guarantees.

g. The segregation of an accounting for moneys used for loan guarantees to the extent the moneys include state matching funds.

10. Meet at least once a month and as often as necessary.

11. Refrain from allocating any funds until at least one-third of the regions have established private sector small business economic development corporations.

Sec. 6. NEW SECTION. 15.265 POWERS OF CORPORATIONS.

1. A corporation has all powers otherwise granted it by law and by its articles of incorporation and bylaws.

2. A corporation may develop a loan guarantee program, subject to approval by the board, if:

a. State matching funds are requested to guarantee loans made by private lending institutions to small businesses in order to establish, maintain, or expand their operations.

b. The loan guarantee program conforms to rules adopted by the board and, in the opinion of the board, promotes the purposes of this part.

3. A corporation shall have the following duties and responsibilities:

a. The management and administration of moneys allocated to it from the fund.

b. Monitoring the operations of businesses started or expanded through state funding made available under this part.

c. The active cooperation with the board to seek procurement of moneys available through federal funding allocations for small business assistance programs.

d. Ensuring that all loans guaranteed by a corporation under this part are disbursed and collected without discrimination and in accordance with section 601A.10, subsection 2. Particular attention shall be given to targeted small businesses.

e. Each corporation shall meet at least once a month and as often as necessary.

f. Establishing joint ventures with area regional coordinating councils when practical and whenever feasible.

g. Coordinate its activities with the small business development centers, institutions under the control of the boards of regents, private colleges and universities and other public entities that are interested in economic development.

Sec. 7. NEW SECTION. 15.266 TAX LIABILITY -- CREDIT.

Corporations organized in accordance with chapter 504A are exempt from the tax imposed under section 422.33. For purposes of avoiding federal tax liabilities, the articles of incorporation of the corporations created under this part shall be written in accordance with sections 504B.2 and 504B.3. Corporations organized for pecuniary profit are subject to taxes imposed under section 422.33.

Sec. 8. NEW SECTION. 15.267 OBLIGATIONS OF STATE -- LIMITATIONS.

Loan guarantees made by a development corporation for which the state has contributed matching funds under this part shall be supported only by the moneys committed or contributed to the corporation or the fund. A loan guarantee agreement made by a corporation, contributor, or investor is not an obligation of the state or any of its subdivisions, except to the extent of moneys previously allocated to the corporation from the fund. A corporation or the board shall not pledge the credit or taxing power of the state and shall not make its obligations payable out of any moneys other than those committed or contributed to the corporation or previously appropriated to the fund.

Sec. 9. NEW SECTION. 15.268 NO RESTRICTION.

Nothing in this part shall be construed so as to restrict any corporation from fulfilling the purpose of this part if that corporation has not received state moneys under this part.

Sec. 10. CODE PLACEMENT. The Code editor shall codify new sections 15.261 through 15.268 as a new part in subchapter II of chapter 15.

JO ANN ZIMMERMAN
President 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 493, Seventy-second General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved May 5, 1987

TERRY E. BRANSTAD
Governor

SF 493