

FILED MAR 2 1999

SENATE FILE

267

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BLACK, and DVORSKY

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act creating an Iowa school district revolving loan fund
2 program and providing an exemption from state taxation.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 267
EDUCATION

1 IOWA SCHOOL DISTRICT REVOLVING LOAN FUND PROGRAM

2 Section 1. NEW SECTION. 16.110 IOWA SCHOOL DISTRICT
3 REVOLVING LOAN FUND PROGRAM -- DEFINITIONS.

4 1. The Iowa school district revolving loan fund program is
5 established for the purpose of making loans available to
6 school districts to finance all or part of the costs of a
7 project. The purpose of the program is to provide a means for
8 Iowa schools to reduce their long-term borrowing costs and
9 thus reduce costs to taxpayers.

10 2. The authority shall process, review, and approve loan
11 applications which satisfy the rules adopted by the authority
12 in implementing the Iowa school district revolving loan fund
13 program. The school districts to which loans are to be made,
14 the purposes of the loan, the amount of each loan, the
15 interest rate of the loan, and the repayment terms of the loan
16 shall be determined by the authority in accordance with its
17 rules.

18 3. For purposes of this section and sections 16.111
19 through 16.114, "project" means any undertaking by a school
20 district for which financing is authorized under chapter 296
21 or 298, including all costs and expenses associated with
22 authorization for, and commencement of, a project. "School
23 district" means a public school district as governed by
24 chapter 274.

25 Sec. 2. NEW SECTION. 16.111 REVOLVING LOAN FUND
26 ESTABLISHED.

27 1. The Iowa school district revolving loan fund is
28 established in the state treasury under the control of the
29 authority. The revolving loan fund shall include sums
30 appropriated to the fund by the general assembly and all
31 receipts from loans made to school districts by the authority,
32 and any other sums designated for deposit in the revolving
33 loan fund from any public or private source. All moneys
34 appropriated to and deposited in the revolving loan fund are
35 appropriated and shall be used for the sole purpose of making

1 loans to school districts to finance all or part of the cost
2 of projects. Moneys in the fund may also be used to pay the
3 costs and expenses associated with administration of the Iowa
4 school district revolving loan fund program. A loan made to a
5 school district from the revolving loan fund is an
6 indebtedness of the school district within the meaning of any
7 constitutional or statutory school district debt limitation in
8 effect at the time the loan agreement is made.

9 2. The moneys in the revolving loan fund are not
10 considered part of the general fund of the state, are not
11 subject to appropriation for any other purpose by the general
12 assembly, and in determining a general fund balance shall not
13 be included in the general fund of the state but shall remain
14 in the revolving loan fund to be used for its respective
15 purposes. The Iowa school district revolving loan fund is a
16 separate dedicated fund under the administration and control
17 of the authority and subject to section 16.31. Moneys on
18 deposit in the fund shall be invested by the treasurer of
19 state in cooperation with the authority, and the income from
20 the investments shall be credited to and deposited in the
21 fund.

22 3. The authority may establish and maintain other funds or
23 accounts determined to be necessary to carry out the purposes
24 of sections 16.110 through 16.114 and shall provide for the
25 funding, administration, investment, restrictions, and
26 disposition of the funds and accounts.

27 Sec. 3. NEW SECTION. 16.112 BONDS AND NOTES ISSUED BY
28 AUTHORITY.

29 1. The authority may issue its bonds and notes for the
30 purpose of funding the revolving loan fund established in
31 section 16.111. The authority may enter into one or more
32 lending agreements or purchase agreements with one or more
33 bondholders or noteholders containing the terms and conditions
34 of the repayment of and the security for the bonds or notes.
35 The authority and the bondholders or noteholders or a trustee

1 agent designated by the authority may enter into agreements to
2 provide for any of the following:

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

7 b. That the bondholders or noteholders or a trustee or
8 agent designated by the authority may collect, invest, and
9 apply the amount payable under the loan agreements or any
10 other instruments securing the debt obligations under the loan
11 agreements.

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

20 d. Other terms and conditions as deemed necessary or
21 appropriate by the authority.

22 2. The powers granted the authority under this section are
23 in addition to other powers contained in this chapter. All
24 other provisions of this chapter, except section 16.28,
25 subsection 4, apply to bonds or notes issued and powers
26 granted to the authority under this section except to the
27 extent they are inconsistent with this section.

28 3. All bonds or notes issued by the authority in
29 connection with the program are exempt from taxation by this
30 state and the interest on the bonds or notes is exempt from
31 state income tax.

32 Sec. 4. NEW SECTION. 16.113 SECURITY -- RESERVE FUNDS --
33 PLEDGES -- NONLIABILITY -- IRREVOCABLE CONTRACTS.

34 1. The authority may provide in the resolution, trust
35 agreement, or other instrument authorizing the issuance of its

1 bonds or notes pursuant to section 16.112 that the principal
2 of, premium, and interest on the bonds or notes are payable
3 from any of the following and may pledge the same to its bonds
4 and notes:

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

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

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

12 2. The authority may establish reserve funds to secure one
13 or more issues of its bonds or notes. The authority may
14 deposit in a reserve fund established under this subsection
15 the proceeds of the sale of its bonds or notes and other
16 moneys which are made available from any other source.

17 3. It is the intention of the general assembly that a
18 pledge made in respect of bonds or notes shall be valid and
19 binding from the time the pledge is made, that the moneys or
20 property so pledged and received after the pledge by the
21 authority shall immediately be subject to the lien of the
22 pledge without physical delivery or further act, and that the
23 lien of the pledge shall be valid and binding as against all
24 parties having claims of any kind in tort, contract, or
25 otherwise against the authority whether or not the parties
26 have notice of the lien. The resolution, trust agreement, or
27 any other instrument by which a pledge is created does not
28 need to be recorded or filed under the Iowa uniform commercial
29 code to be valid, binding, or effective against the parties.

30 4. The members of the authority or persons executing the
31 bonds or notes are not personally liable on the bonds or notes
32 and are not subject to personal liability or accountability by
33 reason of the issuance of the bonds or notes.

34 5. The bonds or notes issued by the authority are not an
35 indebtedness or other liability of the state or of a political

1 subdivision of the state within the meaning of any
2 constitutional or statutory debt limitations but are special
3 obligations of the authority, and are payable solely from the
4 income and receipts or other funds or property of the
5 authority, and the amounts on deposit in the revolving loan
6 fund, and the amounts payable to the authority under its loan
7 agreements with a school district to the extent that the
8 amounts are designated in the resolution, trust agreement, or
9 other instrument of the authority authorizing the issuance of
10 the bonds or notes as being available as security for such
11 bonds or notes. The authority shall not pledge the faith or
12 credit of the state or of a political subdivision of the state
13 to the payment of any bonds or notes. The issuance of any
14 bonds or notes by the authority does not directly, indirectly,
15 or contingently obligate the state or a political subdivision
16 of the state to apply moneys from, or levy or pledge any form
17 of taxation whatever to, the payment of the bonds or notes.

18 6. The state pledges to and agrees with the holders of
19 bonds or notes issued under section 16.112 that the state will
20 not limit or alter the rights and powers vested in the
21 authority to fulfill the terms of a contract made by the
22 authority with respect to the bonds or notes, or in any way
23 impair the rights and remedies of the holders until the bonds
24 or notes, together with the interest on them, including
25 interest on unpaid installments of interest, and all costs and
26 expenses in connection with an action or proceeding by or on
27 behalf of the holders, are fully met and discharged. The
28 authority is authorized to include this pledge and agreement
29 of the state, as it refers to holders of bonds or notes of the
30 authority, in a contract with the holders.

31 Sec. 5. NEW SECTION. 16.114 ADOPTION OF RULES.

32 The authority shall adopt rules pursuant to chapter 17A to
33 implement sections 16.110 through 16.113.

34 EXPLANATION

35 This bill creates the Iowa school district revolving loan

1 fund program, which allows the Iowa finance authority to make
2 loans available to school districts on projects for which
3 general obligation bonds may be issued. The purpose of the
4 revolving loan fund is to help lower the costs borne by school
5 districts in issuing bonds by providing a source for loans to
6 school districts to pay all or part of the costs associated
7 with a bond issuance.

8 The Iowa finance authority is given authority to issue
9 bonds and notes to fund the revolving fund. Moneys to be
10 deposited into the fund include state appropriations to the
11 fund and receipts from loans made to school districts from the
12 fund. Bonds and notes issued by the authority in association
13 with the revolving loan fund program are exempt from state
14 taxation and interest on the bonds and notes is exempt from
15 state income tax.

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