RA 26-299

IOWA FINANCE AUTHORITY[265]

Regulatory Analysis

Notice of Intended Action to be published: 265—Chapter 48
"Iowa Rural Infrastructure Bank Revolving Loan Program"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 16.5(1)"r" and 16.240
State or federal law(s) implemented by the rulemaking: Iowa Code section 16.240

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

October 6, 2026 9:45 to 10 a.m.	Via Microsoft Teams Information about Teams participation can be found at opportunityiowa.gov/about/iowa-finance-authority/ifa-red-tape-review

Public Comment

Any interested person may submit written comments concerning this Regulatory Analysis, which must be received by the Iowa Finance Authority (Authority) no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

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Purpose and Summary

The Authority proposes to adopt Chapter 48 to implement Iowa Code section 16.240 as enacted by 2026 Iowa Acts, House File 2771. Chapter 48 describes the policies and procedures applicable to the Iowa Rural Infrastructure Bank Revolving Loan Program. The program provides loans to small or medium sized communities to upgrade water or wastewater infrastructure.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

Entities applying for or receiving a loan through the program will bear the costs of the proposed rulemaking.

- **Classes of persons that will benefit from the proposed rulemaking:**

Entities interested in applying for or receiving a loan through the program will benefit from the proposed rulemaking.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

Entities applying for a loan may require staff time to complete an application. Recipients may similarly incur costs to comply with reporting and monitoring requirements of the program. Some applicants may choose to rely on an external service provider to complete these tasks. The amount of the costs will vary depending on the compensation of staff or service providers involved.

Recipients will pay interest on loans as determined by the Authority, not to exceed 1 percent. Recipients will also pay a one-time fee at the time of closing of the loan in an amount equal to 2 percent of the amount of the loan.

- **Qualitative description of impact:**

The program provides loans for water and wastewater infrastructure projects.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

Authority staff time is required to review and approve applications, draft and execute program contracts, disburse funds, and communicate with program applicants and recipients.

- **Anticipated effect on State revenues:**

The proposed chapter has no anticipated impact on State revenues beyond that of 2026 Iowa Acts, House File 2771.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

Only the entities that will potentially benefit from the program will bear the costs of the proposed rulemaking. The costs to the State to administer the program are proportional to the activities supported by the program.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

The Authority has not identified any less costly methods or less intrusive methods for administering the program.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

The Authority did not consider any other methods.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The Authority did not consider any other methods.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

The proposed rulemaking does not have a substantial impact on small business.

Text of Proposed Rulemaking

ITEM 1. Adopt the following **new** 265—Chapter 48:

CHAPTER 48
IOWA RURAL INFRASTRUCTURE BANK REVOLVING LOAN PROGRAM

265—48.1(16) Definitions.

"Authority" means the Iowa finance authority created in Iowa Code section 16.1A.

"Director" means the director of the authority.

"Net revenues" means the same as defined in Iowa Code section 384.80.

"Program" means the rural Iowa infrastructure bank revolving loan program established pursuant to Iowa Code section 16.240 as enacted by 2026 Iowa Acts, House File 2771.

"Project" means a vertical infrastructure project to upgrade water or wastewater infrastructure for which the loan is requested, including a project that is a phase or phases of an upgrade.

"Recipient" means the city receiving funds from the program.

"Small or medium sized community" means the same as defined in Iowa Code section 16.240 as enacted by 2026 Iowa Acts, House File 2771.

"Vertical infrastructure" means the same as defined in Iowa Code section 8.57.

265—48.2(16) Eligibility, application, and approval.

48.2(1) *Eligibility.*

a. Only cities with a population of 11,000 or less are eligible to apply for loans through the program. For the purposes of determining the population of a city, the authority will establish population at the time an application for a loan is submitted based on the most recent population estimate produced by the United States Census Bureau or the most recent decennial census. A project that will serve a population in excess of the population of the applicant city may be eligible for the program if the applicant city or cities are eligible applicants pursuant to this subrule.

b. An applicant that proposes a project that has received funding from any source of funds that initiates from the federal government shall not be eligible for the program. Such funding sources include but are not limited to funds provided by the United States Environmental Protection Agency, the United States Department of Agriculture, Community Development Block Grants, or funds appropriated directly to a project by the United States Congress.

48.2(2) *Application.* Applications for loans shall be submitted to the authority in the form and content established by the authority. Applications will be accepted only during the annual application periods established on the authority's website. The application will include:

a. A description of the project, project budget, and estimated project timeline;

b. The requested loan amount and loan term;

c. The proposed security for the loan and documentation that approval processes have been initiated;

d. The tax status of the loan;

e. The other sources of funds for the project;

f. A pro forma cash flow analysis in a form acceptable to the authority that demonstrates that the net revenues of the borrower are sufficient pursuant to paragraph 48.3(2)*"c"*;

g. Documentation that technical review has been completed and all applicable permits have been secured for the proposed project;

h. An opinion from the applicant's counsel documenting that public procurement procedures have been followed, including but not limited to Iowa Code chapters 26 and 26A; and

i. Any other information reasonably requested by the authority.

48.2(3) *Project segments.* A project that is a subsequent phase of a previously funded project will receive priority over new projects. Loans made for separate phases will be administered separately.

48.2(4) *Loan amount.* Requested loan amounts may be adjusted to reflect costs directly related to the project.

48.2(5) *Board approval.* Complete and eligible loan applications that are recommended for approval based on the criteria in subrule 48.2(6) will be considered by the authority board. The board may approve, deny, or defer an application for a loan.

48.2(6) *Evaluation criteria.* The authority will evaluate each complete and eligible application based on the following criteria:

a. The authority will prioritize projects necessary to achieve or maintain compliance with federal or state drinking water or wastewater requirements, particularly projects involving treatment facilities or processes necessary to protect public health and environmental quality. Distribution, storage, collection, and similar infrastructure projects will receive lower priority unless direct compliance benefits are demonstrated.

b. The authority will prioritize projects that provide the most benefit for residential ratepayers, including but not limited to reduction of utility rates or mitigation of utility rate increases.

c. The authority will prioritize projects demonstrating a high degree of readiness for construction. Readiness may be determined through completion of planning requirements, engineering documentation, environmental reviews, permitting, and other activities necessary to initiate construction.

d. The authority will prioritize projects that demonstrate sufficient financial resources to complete the proposed project and repay the loan. Preference may be given to projects for which all project financing has been secured or is reasonably expected to be secured.

e. The authority will prioritize projects that propose consolidation, interconnection, or sharing of wastewater or drinking water services among multiple systems or communities to provide service on a broader regional basis.

f. In determining whether to award a loan and loan amounts, the authority will also consider the following:

(1) The total amount of moneys available in the fund;

(2) The geographic diversity of awarded projects; and

(3) Whether an application has a record of violations of the law that over a period of time tends to show a consistent pattern or that establishes intentional, criminal, or reckless conduct in violation of such laws.

265—48.3(16) Loans.

48.3(1) *Loan agreements.* The authority will prepare a loan agreement after an application has been approved by the authority board. Prior to execution of the agreement, the recipient shall provide an enforceability opinion and, if applicable, a bond counsel opinion as to the status of interest on the obligation in forms acceptable to the authority.

48.3(2) *Loan terms.*

a. *Interest rates.* As provided in Iowa Code section 16.240, interest rates for loans under the program shall not exceed 1 percent.

b. *Fees.* Recipients shall pay a one-time fee at the time of closing of the loan in an amount equal to 2 percent of the amount of the loan.

c. *Revenue pledge.* The recipient shall establish sufficient revenue sources for the repayment of the loan, as determined by the authority. To ensure repayment of obligations according to the terms of the loan agreement, the recipient shall agree to impose, collect, and increase, if necessary, user charges, taxes, or other dedicated revenue sources identified for the loan repayment in order to maintain annual net revenues at a level equal to at least 110 percent of the amount necessary to pay debt service on all revenue obligations during the next fiscal year. At the discretion of the director or director's designee, the authority may allow other revenue sources and coverage of less than 110 percent of the amount necessary to pay all revenue obligations. At the discretion of the director or director's designee, the authority may require revenue sources and coverage in excess of 110 percent of the amount necessary to pay all revenue obligations if the recipient has a history of default on its revenue obligations or insufficient credit history, as determined by the authority. The loan agreement shall authorize the authority to require revenue adjustment to collect delinquent loan payments.

d. *Security.*

(1) A loan may be secured by a first lien upon the net revenues of the recipient's system. Loans secured by net revenues of a system may rank on a parity basis with other outstanding obligations, or, with the approval of the director or director's designee, those loans may be subordinate in right of payment to the recipient's other outstanding revenue obligations.

(2) A loan may be secured by a general obligation of the recipient, and the recipient may achieve this through the provision for a levy of taxes to repay the loan.

e. *Construction payment schedules.* The loan agreement shall include an estimated construction drawdown schedule provided by the recipient.

48.3(3) *Loan commitments.* Loan funds are considered a binding commitment at the time a loan agreement is executed.

48.3(4) *Costs.* The recipient shall use the program loan proceeds solely for the purpose of costs directly related to the approved project. The recipient must document all costs directly related to the project to the satisfaction of the authority before loan proceeds are disbursed.

48.3(5) *Loan amount and repayment period.* All loans shall be made contingent on the availability of funds. The maximum loan term will be 30 years. Repayment of the loan must begin no later than one year after the project is substantially complete.

48.3(6) *Prepayment.* A recipient may prepay a loan, in whole or in part, on any date with the prior written consent of the authority.

265—48.4(16) Administration.

48.4(1) The recipient shall maintain records that document all costs associated with the project. The recipient shall provide access to these records to the authority, the auditor of the state of Iowa, or the agents or designees thereof upon request. The recipient shall retain such records and documents for inspection and audit purposes for a period of three years from the date of the final loan payment.

48.4(2) The recipient shall provide the authority or its agents or designees access to the project site on request for the duration of the loan to verify that the funds are being used for the purpose intended, that the construction work meets applicable state and federal requirements, and that the project is being operated and maintained as designed.

48.4(3) The recipient's accounting procedures shall conform to generally accepted government accounting standards.

48.4(4) The authority may, for cause, find that a recipient is not in compliance with the requirements of the program. Remedies for noncompliance may include penalties up to and including withholding of or return of loan funds. Findings of noncompliance may include but are not limited to the use of loan funds for activities not described in the application for the loan; failure to begin construction within one year of execution of a loan agreement; or failure to comply with any applicable state or federal rules, regulations, or laws.

48.4(5) A recipient shall submit information reasonably required by the authority to make reports to the authority's board, the governor's office, or the general assembly.

These rules are intended to implement Iowa Code section 16.240 as enacted by 2026 Iowa Acts, House File 2771.