Regulatory Analysis

Notice of Intended Action to be published: 761—Chapter 923
"Capital Match Revolving Loan Fund"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 1985 Iowa Acts, chapter 265
State or federal law(s) implemented by the rulemaking: 1985 Iowa Acts, chapter 265

Public Hearing

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

October 22, 2025 1:30 to 2 p.m.	Microsoft Teams Or dial: 515.817.6093 Conference ID: 812 773 314#

Public Comment

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

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800 Lincoln Way
Ames, Iowa 50010
Email: kristin.haar@iowadot.us

Purpose and Summary

This proposed chapter is intended to implement 1985 Iowa Acts, chapter 265, regarding creation of a Capital Match Revolving Loan Fund for Iowa's public transit systems.

Analysis of Impact

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

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

There are no classes of persons that will bear costs of these proposed rules.

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

Iowa's public transit agencies will benefit from this proposed rulemaking since the agencies will be able to obtain interest-free loans to assist with the local match portion of capital purchases funded with State or federal funds.

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:**

Federal capital grants have at least a 15 percent local match requirement; state public transit capital grants have a minimum 20 percent local match. There are times when a replacement vehicle is needed for a vehicle too old to repair or, due to extenuating circumstances, local match is depleted at the time the State or federal capital money is available. The Capital Match Revolving Loan Fund allows the public transit agencies to continue with their planned capital projects while paying back the local match over time, interest-free. Since 2006, 16 of Iowa's 35 public transit agencies and two of three intercity bus carriers have been assisted with this revolving loan fund.

- **Qualitative description of impact:**

The Capital Match Revolving Loan Fund detailed through this proposed chapter enables public transit systems to carry on with planned capital improvement projects even if local matches have been depleted for other purposes. This fund allows access to State or federal capital funds requiring a local match so public transit agencies can, for example, replace older, high-maintenance buses with new models or build facilities to store public transit fleets. This benefits the public by having a public transit fleet in a state of good repair.

3. **Costs to the State:**

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

There are no costs to the Department to implement or enforce these proposed rules.

- **Anticipated effect on State revenues:**

No State revenues are affected.

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

These proposed rules allow the Department to give interest-free loans to Iowa's public transit systems. The loans serve as all or a portion of the local match to State or federal capital programs, enabling the public transit systems to improve their services with new capital investments even if their current local match accounts are depleted due to unforeseen circumstances. Without local match dollars, the State and federal capital funding cannot be utilized.

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

This loan program has no cost to the public transit agencies accessing it or to the public. No less costly or intrusive method for administration of this loan program is known.

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

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

No alternative methods were considered by the Department. The Department is required to adopt these rules in compliance with 1985 Iowa Acts, chapter 265.

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

Not applicable.

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?

This chapter does not have a substantial impact on small business. Small businesses eligible for this funding are limited to intercity bus carriers operating in Iowa that are eligible for the same no-interest loans as Iowa's public transit agencies.

Text of Proposed Rulemaking

ITEM 1. Rescind 761—Chapter 923 and adopt the following **new** chapter in lieu thereof:

CHAPTER 923
CAPITAL MATCH REVOLVING LOAN FUND

761—923.1(71GA,ch265) General information.

923.1(1) *Scope of chapter.* The general assembly appropriated money from the petroleum overcharge fund to the department to be used as a revolving loan fund for transit capital purchases by public transit systems. The revolving loan fund enables public transit systems to obtain the matching funds needed to qualify for capital purchases under state or federally funded programs. The fund provides interest-free loans to public transit systems to allow faster capital acquisitions. Loan recipients shall demonstrate the ability to repay the loan from budgeted funds or revenues.

923.1(2) *Information.* Requests for information and assistance with the preparation and submission of loan requests should be directed to the Modal Transportation Bureau, Iowa Department of Transportation, 800 Lincoln Way, Ames, Iowa 50010; or by telephone at 515.233.7870. Information is also available on the department's website at iowadot.gov/modes-travel/transit.

923.1(3) *Definitions.*

"Project" means a concerted set of actions that will develop, maintain or improve one or more elements of the public transit system's service.

"Public transit system" means the same as defined in Iowa Code section 324A.1.

"Van pool" means the same as defined in Iowa Code section 325A.12.

761—923.2(71GA,ch265) System eligibility. A public transit system is eligible to request a capital match revolving loan provided that the public transit system complies with all of the following criteria:

923.2(1) Abides by all applicable state and federal laws and regulations.

923.2(2) Maintains primary documentation for all revenues and expenses for a period of at least three years following contract closeout.

923.2(3) Maintains the system's policies, routes, schedules, fare structure and budget in a manner that encourages public review, responsiveness to user concerns, energy conservation and fiscal solvency.

761—923.3(71GA,ch265) Project eligibility.

923.3(1) A project is eligible if it meets all of the following criteria:

a. The project is a transit-related capital purchase, e.g., new or replacement vehicles, facilities or both.

b. The project is an identifiable transit need and is included in the public transit system's adopted transportation improvement program.

c. The local funding needed for the project justifiably exceeds the public transit system's capital match funding capability.

923.3(2) A project to purchase vans for a van pool may be submitted by an individual or a group through the appropriate local public transit system. A van pool project is eligible for an interest-free loan from the revolving loan fund only after funds for all other projects have been allocated as of July 1 each year.

761—923.4(71GA,ch265) Procedure.

923.4(1) *Funding request.* The public transit system shall submit a funding application for the proposed project to either the department or to the Federal Transit Administration, depending on the type of funding requested.

923.4(2) *Loan request.* The appropriate time for a public transit system to submit a request for a revolving fund loan to the department is with the annual grant application, but a request may be submitted at any time if a specific need arises. The request is to include but not be limited to:

a. A description and cost estimate of the proposed project.

b. An explanation of the benefits, including projected energy conservation benefits, to be gained from the project.

c. An explanation and justification of need for the loan.

d. A proposed schedule of when funds will be needed for the project.

e. A proposed loan repayment plan with schedule and source of funds.

923.4(3) *Criteria for selection.* The department will review each loan request and evaluate the project for funding. Based on the following criteria (in no particular order), preference is given to public transit capital projects that:

a. Foster coordination among transit services.

b. Enhance local or regional economic development.

c. Increase federal funding to the state.

d. Extend services to the transportation disadvantaged.

e. Promote energy conservation.

f. Use the loan as only a portion of the local matching funds required.

923.4(4) *Approval.* Based on available funds, the department will approve loans for projects meeting the criteria in rule 761—923.3(71GA,ch265).

923.4(5) *Agreement.* Upon approval, the department will prepare a loan contract and send it to the public transit system for execution.

923.4(6) *Default.* If a public transit system fails to make a loan payment as agreed in the contract, the department may, at its option, deduct the amount of any past due loan payment from state transit assistance payments allocated to that transit system.

These rules are intended to implement 1985 Iowa Acts, chapter 265.