

**CHAPTER 1212**  
**ECONOMIC DEVELOPMENT BOND BANK PROGRAM**  
*S.F. 2291*

**AN ACT** creating an Iowa economic development bond bank program within the Iowa finance authority to provide financing for economic development and making an appropriation.

*Be It Enacted by the General Assembly of the State of Iowa:*

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

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

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

The general assembly finds and declares that:

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

2. Private financing at low interest rates for small business under the Iowa finance authority small business loan program, for beginning farmers under the agricultural development authority beginning farmer loan program or soil conservation loan program, and for commercial, industrial, and other business enterprises pursuant to chapter 419 is severely limited because of the unattractiveness of tax exempt financing to financial institutions in the state.

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

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

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

**Sec. 3. NEW SECTION. 220.94 ESTABLISHMENT OF BOND BANK PROGRAM — BONDS AND NOTES — PROJECTS.**

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

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

2. The acquisition of agricultural land and improvements and depreciable agricultural property by beginning farmers for the implementation of permanent soil and water conservation practices and the acquisition of conservation farm equipment, or any other purpose for which loans may be made by the Iowa family farm development authority pursuant to chapter 175.

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

Sec. 4. NEW SECTION. 220.95 IOWA ECONOMIC DEVELOPMENT BOND BANK PROGRAM — SPECIFIC POWERS.

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

1. Make secured and unsecured loans for both the acquisition and the construction of projects on terms the authority determines. Any loan made with respect to any project for which a loan may be made pursuant to chapter 175 shall be made only upon the request and with the consent of the agricultural development authority. The loans may be made to any person or entity including, but not limited to, a city, a county, and the agricultural development authority for projects approved by the Iowa finance authority. The Iowa finance authority may take any action which is reasonable and lawful to protect its security and to avoid losses from its loans.

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

3. Purchase, construct, improve, furnish, equip, lease, option, sell, exchange, or otherwise dispose of one or more projects under the terms the authority determines. However, in the lease, sale, or loan agreement relating to a project, the authority shall provide for adequate maintenance of the project.

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

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

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

Sec. 5. NEW SECTION. 220.96 LOAN AGREEMENTS.

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

2. The authority may issue its bonds and notes for the projects set forth in section 220.94 and may enter into one or more lending agreements or purchase agreements with one or more bondholders or noteholders containing the terms and conditions of the repayment of and the security for the bonds or notes. The authority and the bondholders or noteholders or a trustee or agent designated by the authority may enter into agreements to provide for any of the following:

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

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

c. That the bondholders or noteholders may enforce the remedies provided in the loan agreements or security instruments on their own behalf without the appointment or designation of a trustee. If there is a default in the principal of or interest on the bonds or notes or in

the performance of any agreement contained in the loan agreements or security instruments, the payment or performance may be enforced in accordance with the loan agreement or security instrument.

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

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

**Sec. 6. NEW SECTION. 220.97 SECURITY FOR BONDS — RESERVE FUNDS — VALIDITY OF PLEDGE — NONLIABILITY — IRREVOCABLE CONTRACTS.**

1. The authority may provide in the resolution authorizing the issuance of its bonds or notes for the Iowa economic development bond bank program that the principal of, premium, if any, and interest on the bonds or notes are payable exclusively from any of the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

8. If any amount deposited in a capital reserve fund is withdrawn for payment of principal, premium, or interest on the bonds or notes or sinking fund payments with respect to bonds or notes thus reducing the amount of that fund to less than the capital reserve fund requirement, the authority shall immediately notify the general assembly of this event and shall take steps to restore the capital reserve fund to the capital reserve fund requirement for that fund from any amounts designated as being available for such purpose.

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

10. It is the intention of the general assembly that a pledge made in respect of bonds or notes shall be valid and binding from the time the pledge is made, that the money or property so pledged and received after the pledge by the authority shall immediately be subject to the lien of the pledge without physical delivery or further act, and that the lien of the pledge shall be valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the authority whether or not the parties have notice of the lien. Neither the resolution, trust agreement, nor any other instrument by which a pledge is created needs to be recorded or filed under the Iowa uniform commercial code to be valid, binding, or effective against the parties.

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

12. The bonds or notes issued by the authority are not an indebtedness or other liability of the state or of a political subdivision of the state, except the authority, and are payable solely from the income and receipts or other funds or property of the authority which are designated in the resolution of the authority authorizing the issuance of the bonds or notes as being available as security for bonds or notes. The authority shall not pledge the faith or credit of the state or of a political subdivision of the state, except the authority, to the payment of a bond or note. The issuance of a bond or note by the authority does not directly, indirectly, or contingently obligate the state or a political subdivision of the state to apply money from, or levy or pledge any form of taxation whatever to the payment of the bond or note.

13. The state pledges to and agrees with the holders of bonds or notes issued under the Iowa economic development bond bank program, that the state will not limit or alter the rights and powers vested in the authority to fulfill the terms of a contract made by the authority with respect to the bonds or notes, or in any way impair the rights and remedies of the holders until the bonds and notes, together with the interest on them including interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the holders, are fully met and discharged. The authority is authorized to include this pledge and agreement of the state, as it refers to holders of bonds or notes of the authority, in a contract with the holders.

Sec. 7. **NEW SECTION. 220.99 ADOPTION OF RULES.**

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

Approved May 22, 1986

---

**CHAPTER 1213**  
**INTERNAL REVENUE CODE UPDATE**  
*H.F. 2472*

**AN ACT** relating to taxation by updating references to the Internal Revenue Code, eliminating one of the net operating loss deductions in computing the state minimum tax, removing the requirement that members of an affiliated group of corporations consent in writing to the filing of a consolidated corporation income tax return, and providing an effective date.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section 18B.10, unnumbered paragraph 1, Code 1985, is amended to read as follows:

At the request of an employee through contractual agreement the board may arrange for the purchase of group or individual annuity contracts for any of its employees from any company the employee chooses that is authorized to do business in this state and through an Iowa-licensed insurance agent that the employee selects, for retirement or other purposes, and may make payroll deductions in accordance with the arrangements for the purpose of paying the entire premium due and to become due under the contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits afforded under section 403b of the Internal Revenue Code of 1954 as amended to July 1, 1983, as defined in section 422.3. The employee's rights under the annuity contract are nonforfeitable except for the failure to pay premiums.

Sec. 2. Section 218.16, Code 1985, is amended to read as follows:

**218.16 ANNUITY CONTRACTS FOR EMPLOYEES.**

At the request of an employee through contractual agreement, the department of human services or any institution under its jurisdiction may purchase an individual annuity contract for an employee, from ~~such an~~ insurance organization the employee chooses that is authorized to do business in this state and through an Iowa-licensed insurance agent ~~as that~~ the employee ~~may select~~ selects, for retirement or other purposes, and may make payroll deductions in accordance with ~~such the~~ arrangements for the purpose of paying the entire premium due and to become due under ~~such the~~ contract. The deductions shall be made in the manner which will qualify the annuity premiums for the benefits afforded under section 403(b) of the Internal Revenue Code of 1954 ~~and amendments thereto, as defined in section 422.3~~. The employee's rights under ~~such the~~ annuity ~~contracts shall be~~ contract are nonforfeitable except for the failure to pay premiums.