

## CHAPTER 106

### STATEWIDE NETWORK OF SMALL BUSINESS DEVELOPMENT CORPORATIONS S.F. 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.

---

\*According to enrolled Act

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 73.15 through 73.21.

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.

Approved May 5, 1987

---

## CHAPTER 107

### IOWA SEAL AGRICULTURAL PRODUCTS

*H.F. 576*

**AN ACT** providing for the grading and marking of Iowa seal agricultural products, and providing penalties.

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

Section 1. NEW SECTION. 543B.1 IOWA SEAL.

A seal for agricultural products shall be created under the direction of the department of agriculture and land stewardship to identify agricultural products that have been produced or processed in the state. The department shall certify that agricultural products marked with the Iowa seal are of the quality and specifications warranted by the sellers of those products.

The department of agriculture and land stewardship shall adopt rules under chapter 17A to provide methods of identifying, marking, and grading agricultural products, to prevent any misleading use of the Iowa seal, and as necessary or advisable to fully implement this section.

A violation of a rule adopted by the department of agriculture and land stewardship to implement this section is a simple misdemeanor. A fraudulent use of the term "Iowa Seal" or of the identifying mark for the Iowa seal, or a deliberately misleading or unwarranted use of the term or identifying mark is a serious misdemeanor.

Approved May 5, 1987