

and developmental disabilities services expenditures to the county finance committee and the underreported expenditures amount was also included in the county's final budget certified for the fiscal year beginning July 1, 1995. For the purposes of this section, a major error is a failure to include qualified mental health, mental retardation, and developmental disabilities services expenditures associated with the operation of a county care facility, group home, or similar program.

3. A county's revision request shall be submitted to the county finance committee which may approve or reject the request in whole or in part, based upon the committee's determination as to the extent to which an underreporting error occurred. The revision request must be submitted within ten days of the effective date of this Act, and a decision by the county finance committee to approve or reject the revised amount must be issued within twenty days of the effective date of this Act. The decision of the county finance committee is final.

4. If the county's request for revision of the county's base year expenditures amount is approved under subsection 3, the county board may by resolution provide for transfer of moneys from the county's general fund to the county's services fund for the fiscal year beginning July 1, 1996. The amount of the transfer shall not exceed the net revision amount of the request approved under subsection 3.

5. For the fiscal year beginning July 1, 1997, for a county for which a revision is approved under this section, to the extent the county uses the revision to increase the maximum levy authorized for the services fund of the county in excess of the services fund levy certified in the county's final budget for the fiscal year beginning July 1, 1996, the amount of increase shall be offset by an equivalent decrease in the levy amount certified by the county for general county services.

Sec. 2. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

Approved March 6, 1997

CHAPTER 4

DRINKING WATER FACILITIES FINANCING

H.F. 191

AN ACT relating to the establishment of the drinking water facilities financing program, the drinking water treatment revolving loan fund, the drinking water facilities administration fund, and providing an effective date.

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

Section 1. Section 16.131, Code 1997, is amended to read as follows:

16.131 IOWA SEWAGE TREATMENT ~~WORKS~~ AND DRINKING WATER FACILITIES FINANCING PROGRAM — DEFINITIONS — FUNDING — BONDS AND NOTES.

1. The authority shall cooperate with the department of natural resources in the creation, administration, and financing of the Iowa sewage treatment ~~works~~ and drinking water facilities financing program established in sections 455B.291 through 455B.299.

2. Terms used in this part have the meanings given them in sections 455B.101 and 455B.291 unless the context requires otherwise.

3. The authority may issue its bonds and notes for the purpose of funding the revolving loan ~~fund~~ funds created under section 455B.295 and defraying the costs of payment of the

twenty percent state matching funds required for federal funds received for projects.

4. The authority may issue its bonds and notes for the purposes established 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 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 authority 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 amount payable under the loan agreements or any other instruments securing the debt obligations under the loan agreements.

c. That the bondholders or noteholders may enforce the remedies provided in the loan agreements or other 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 other instruments, the payment or performance may be enforced in accordance with the loan agreement or other instrument.

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

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

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

Sec. 2. Section 16.132, subsection 1, paragraphs c and d, Code 1997, are amended to read as follows:

c. The amounts on deposit in the revolving loan ~~fund~~ funds.

d. The amounts payable to the department by municipalities or water systems pursuant to loan agreements with municipalities or water systems.

Sec. 3. Section 16.132, subsection 5, Code 1997, is amended to read as follows:

5. 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 within the meaning of any constitutional or statutory debt limitations but are special obligations of the authority, and are payable solely from the income and receipts or other funds or property of the department, and the amounts on deposit in the revolving loan ~~fund~~ funds, and the amounts payable to the department under its loan agreements with the municipalities and water systems to the extent that the amounts are designated in the resolution, trust agreement, or other instrument of the authority authorizing the issuance of the bonds or notes as being available as security for such bonds or notes. The authority shall not pledge the faith or credit of the state or of a political subdivision of the state to the payment of any bonds or notes. The issuance of any bonds or notes 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 bonds or notes.

Sec. 4. Section 16.132, subsection 6, Code 1997, is amended to read as follows:

6. The state pledges to and agrees with the holders of bonds or notes issued under the Iowa sewage treatment ~~works~~ and drinking water facilities financing 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 or 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. 5. Section 455B.177, subsection 2, Code 1997, is amended to read as follows:

2. The general assembly further finds and declares that because the federal Safe Drinking Water Act, ~~Pub. L. No. 93-523~~ 42 U.S.C. § 300f et seq., as amended by Pub. L. No. 104-182, provides for the implementation of ~~said the~~ the Act by states which have adequate authority to do so, it is in the interest of the people of Iowa to implement the provisions of the federal Safe Drinking Water Act and federal regulations and guidelines issued pursuant ~~thereto~~ to the Act.

Sec. 6. Section 455B.183, subsection 1, Code 1997, is amended to read as follows:

1. The construction, installation, or modification of any disposal system or public water supply system or part thereof or any extension or addition thereto except those sewer extensions and water supply distribution system extensions that are subject to review and approval by a city or county public works department pursuant to this section and private sewage disposal systems. ~~A~~ Unless federal law or regulation requires the review and approval of plans and specifications, a permit shall be issued for the construction, installation, or modification of a public water supply system or part of a system if a qualified, registered engineer certifies to the department that the plans for the system or part of the system meet the requirements of state and federal law or regulations. The permit shall state that approval is based only upon the engineer's certification that the system's design meets the requirements of all applicable state and federal laws and regulations and the review of the department shall be advisory.

Sec. 7. Section 455B.291, Code 1997, is amended to read as follows:

455B.291 DEFINITIONS.

As used in this part, unless the context requires otherwise:

1. "Administrative funds" means the sewage treatment works administration fund and the drinking water facilities administration fund.

2. "Authority" means the Iowa finance authority established in section 16.2.

3. "Clean Water Act" means the federal Water Pollution Control Act of 1972, Pub. L. No. 92-500, as amended by the Water Quality Act of 1987, Pub. L. No. 100-4, as published in 33 U.S.C. § 1251 - 1376.

4. "Cost" means all costs, charges, expenses, or other indebtedness incurred by a municipality or water system and determined by the director as reasonable and necessary for carrying out all works and undertakings necessary or incidental to the accomplishment of any project.

5. "Drinking water facilities administration fund" means the drinking water facilities administration fund established in section 455B.295.

6. "Drinking water treatment revolving loan fund" means the drinking water treatment revolving loan fund established in section 455B.295.

7. "Municipality" means a city, county, sanitary district, state agency, or other governmental body or corporation empowered to provide sewage collection and treatment services, or any combination of two or more of the governmental bodies or corporations acting jointly, in connection with a project.

8. "Program" means the Iowa sewage treatment ~~works~~ and drinking water facilities financing program created pursuant to section 455B.294.

9. "Project" means one of the following:

a. In the context of sewage treatment facilities, the acquisition, construction, reconstruction, extension, equipping, improvement, or rehabilitation of any works and facilities useful

for the collection, treatment, and disposal of sewage and industrial waste in a sanitary manner including treatment works as defined in section 212 of the Clean Water Act, or the implementation and development of management programs established under sections 319 and 320 of the Clean Water Act.

b. In the context of drinking water facilities, the acquisition, construction, reconstruction, extending, remodeling, improving, repairing, or equipping of waterworks, water mains, extensions, or treatment facilities useful for providing potable water to residents served by a water system, including the acquisition of real property needed for any of the foregoing purposes, and such other programs as may be authorized under the Safe Drinking Water Act.

10. "Revolving loan funds" means the sewage treatment works revolving loan fund and the drinking water treatment revolving loan fund.

11. "Safe Drinking Water Act" means Title XIV of the federal Public Health Service Act, commonly known as the "Safe Drinking Water Act", 42 U.S.C. § 300f et seq., as amended by the Safe Drinking Water Amendments of 1996, Pub. L. No. 104-182.

7 12. "Sewage treatment works administration fund" or "administration fund" means the sewage treatment works administration fund established in section 455B.295.

8 13. "Sewage treatment works revolving loan fund" or "revolving loan fund" means the sewage treatment works revolving loan fund established in section 455B.295.

14. "Water system" means any community water system or nonprofit noncommunity water system, each as defined in the Safe Drinking Water Act, that is eligible under the rules of the department to receive a loan under the program for the purposes of undertaking a project.

Sec. 8. Section 455B.292, Code 1997, is amended to read as follows:
455B.292 FINDINGS.

The general assembly finds that the proper construction, rehabilitation, operation, and maintenance of modern and efficient sewer systems and wastewater treatment works and drinking water facilities are essential to protecting and improving the state's water quality and the health of its citizens; that protecting and improving water quality is an issue of concern to the citizens of the state; that in addition to protecting and improving the state's water quality, adequate wastewater treatment works and drinking water facilities are essential to economic growth and development; that during the last several years the amount of federal grant money available to states and local governments for assistance in constructing and improving wastewater treatment works and safe drinking water facilities has sharply diminished and will likely continue to diminish; and that it is proper for the state to encourage local governments to undertake wastewater treatment and drinking water projects through the establishment of a state mechanism to provide loans at the lowest reasonable rates.

Sec. 9. Section 455B.293, Code 1997, is amended to read as follows:
455B.293 POLICY.

It is the policy of the general assembly that it is in the public interest to establish a sewage treatment works and drinking water facilities financing program and a revolving loan fund funds and administration fund funds to make loans available from the state to municipalities to acquire, construct, reconstruct, extend, equip, and improve works and facilities useful for the collection, treatment, and disposal of sewage and industrial waste in a sanitary manner and water systems for the purpose of undertaking projects. This section shall be broadly construed to effect and accomplish that purpose.

Sec. 10. Section 455B.294, Code 1997, is amended to read as follows:
455B.294 ESTABLISHMENT OF THE IOWA SEWAGE TREATMENT WORKS AND DRINKING WATER FACILITIES FINANCING PROGRAM.

The Iowa sewage treatment works and drinking water facilities financing program is

established for the purpose of making loans available to municipalities and water systems to finance all or part of the costs of projects. The program shall be a joint and cooperative undertaking of the department and the authority. The department and the authority may enter into and provide any agreements, documents, instruments, certificates, data, or information necessary in connection with the operation, administration, and financing of the program consistent with this part, the Safe Drinking Water Act, the Clean Water Act, the rules of the department and the commission, the rules of the authority, and state law. The authority and the department may act to conform the program to the applicable guidance and regulations adopted by the United States environmental protection agency.

Sec. 11. Section 455B.295, Code 1997, is amended to read as follows:

455B.295 FUNDS AND ACCOUNTS.

1. ~~Two~~ Four separate funds are established in the state treasury, to be known as the "sewage treatment works revolving loan fund", and the "sewage treatment works administration fund", the drinking water treatment revolving loan fund, and the drinking water facilities administration fund.

2. ~~The~~ Each of the revolving loan ~~fund funds~~ shall include sums appropriated to the revolving loan ~~fund funds~~ by the general assembly, sums transferred by action of the governor under section 455B.296, subsection 3, sums allocated to the state expressly for the purposes of establishing a each of the revolving loan ~~fund funds~~ under the Clean Water Act and the Safe Drinking Water Act, all receipts by the revolving loan ~~fund funds~~, and any other sums designated for deposit to the revolving loan ~~fund funds~~ from any public or private source. All moneys appropriated to and deposited in the revolving ~~fund loan funds~~ are appropriated and shall be used for the sole purpose of making loans to the municipalities and water systems, as applicable, to finance all or part of the cost of projects. The moneys appropriated to and deposited in the sewage treatment works revolving loan fund shall not be used to pay the nonfederal share of the cost of projects receiving grants under the Clean Water Act. The moneys in the revolving loan ~~fund funds~~ are not considered as a part of the general fund of the state, are not subject to appropriation for any other purpose by the general assembly, and in determining a general fund balance shall not be included in the general fund of the state but shall remain in the revolving loan ~~fund funds~~ to be used for its their respective purposes. ~~The revolving loan fund is a~~ funds are separate dedicated fund funds under the administration and control of the authority and subject to section 16.31. Moneys on deposit in the revolving loan ~~fund funds~~ shall be invested by the treasurer of state in cooperation with the authority, and the income from the investments shall be credited to and deposited in the appropriate revolving loan ~~fund funds~~.

3. ~~The sewage treatment works~~ administration ~~fund funds~~ shall include sums appropriated to the administration ~~fund funds~~ by the general assembly, sums allocated to the state for the express purposes of administering the program programs, policies, and undertakings authorized by the Clean Water Act and the Safe Drinking Water Act, and all receipts by the administration ~~fund funds~~ from any public or private source. All moneys appropriated to and deposited in the administration ~~fund funds~~ are appropriated for and shall be used and administered by the department to pay the costs and expenses associated with the program, including administration of the program, as may be determined by the department.

4. The department and the authority may establish and maintain other funds or accounts determined to be necessary to carry out the purposes of this part and shall provide for the funding, administration, investment, restrictions, and disposition of the funds and accounts. The department and the authority may combine the financial administration of the revolving loan funds and the administration of the revolving loan funds and the administration funds to the extent permitted by the Safe Drinking Water Act.

Sec. 12. Section 455B.296, Code 1997, is amended to read as follows:

455B.296 INTENDED USE PLANS — CAPITALIZATION GRANTS — ACCOUNTING.

1. Each fiscal year beginning July 1, 1988, the department may prepare and deliver

intended use plans and enter into capitalization grant agreements with the administrator of the United States environmental protection agency under the terms and conditions set forth in ~~Title VI~~ of the Clean Water Act and the Safe Drinking Water Act and federal regulations adopted pursuant to the ~~Act~~ Acts and may accept capitalization grants for each of the revolving loan ~~fund funds~~ in accordance with payment schedules established by the administrator. All payments from the administrator shall be deposited in the appropriate revolving loan ~~fund funds~~.

2. The department and the authority shall establish fiscal controls and accounting procedures during appropriate accounting periods for payments and disbursements received and made by the revolving loan ~~fund funds~~, the administration ~~fund funds~~, and other funds established pursuant to section 455B.295, subsection 4, and to fund balances at the beginning and end of the accounting periods.

3. Upon receipt of the joint recommendation of the department and the authority with respect to the amounts to be so reserved and transferred, and subject in all respects to the applicable provisions of the Safe Drinking Water Act, the governor may direct that the recommended portion of a capitalization grant made in respect of one of the revolving loan funds in any year be reserved for the transfer to the other revolving loan fund. The authority and the department may effect the transfer of any funds reserved for such purpose, as directed by the governor, and shall cause the records of the program to reflect the transfer. Any sums so transferred shall be expended in accordance with the intended use plan for the applicable revolving loan fund.

Sec. 13. Section 455B.297, Code 1997, is amended to read as follows:

455B.297 LOANS TO MUNICIPALITIES AND WATER SYSTEMS.

Moneys deposited in the revolving loan ~~fund funds~~ shall be used for the sole primary purpose of making loans to municipalities and water systems to finance the cost of projects in accordance with the intended use plans developed by the department under section 455B.296. The municipalities and water systems to which loans are to be made, the purposes of the loan, the amount of each loan, the interest rate of the loan, and the repayment terms of the loan, shall be determined by the director, in accordance with rules adopted by the commission, in compliance with and subject to the terms and conditions of ~~Title VI~~ of the Clean Water Act and the Safe Drinking Water Act, as applicable, and any resolution, agreement, indenture, or other document of the authority, and rules adopted by the authority, relating to any bonds, notes, or other obligations issued for the program which may be applicable to the loan.

Sec. 14. Section 455B.298, Code 1997, is amended to read as follows:

455B.298 POWERS AND DUTIES OF THE DIRECTOR.

The director shall:

1. Process and review loan applications to determine if an application meets the eligibility requirements set by the rules of the department.

2. Approve loan applications of municipalities and water systems which satisfy the rules adopted by the commission, and the intended use ~~plan plans~~ developed by the department under section 455B.296.

3. Process and review all documents relating to projects and the extending of loans.

4. Prepare and process, in coordination with the authority, documents relating to the extending of loans to municipalities and water systems, the sale and issuance of bonds, notes, or other obligations of the authority relating to the program, and the administration of the program.

5. Include in the budget prepared pursuant to section 455A.4, subsection 1, paragraph "c", an annual budget for the administration of the program and the use and disposition of amounts on deposit in the administration ~~fund funds~~.

6. Charge each municipality and water system receiving a loan from the appropriate revolving loan fund a loan origination fee and an annual loan servicing fee. The amount of

the loan origination fees and the loan servicing fees established shall be relative to the amount of a loan made from the revolving loan fund. The director shall deposit the receipts from the loan origination fees and the loan servicing fees in the appropriate administration fund.

7. Consult with and receive the approval of the authority concerning the terms and conditions of loan agreements with municipalities and water systems as to the financial integrity of the loan.

8. Perform other acts and assume other duties and responsibilities necessary for the operation of the program.

Sec. 15. **EFFECTIVE DATE.** This Act, being deemed of immediate importance, takes effect upon enactment.

Approved March 7, 1997

CHAPTER 5

FUNDS HELD IN ACCOUNTS BY LIFE INSURANCE COMPANIES

S.F. 160

AN ACT relating to funds held by life insurance companies and providing an effective date.

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

Section 1. Section 508.32, Code 1997, is amended by adding the following new unnumbered paragraphs:

NEW UNNUMBERED PARAGRAPH. As used in this section, life insurance policies and annuity contracts include accident and health insurance policies and contracts, and include undertakings, duties, and obligations incidental to or in furtherance of any such policies or contracts. As used in this section, proceeds include additions and contributions. Funds held by an insurance company as authorized by this section may be held in a separate account established pursuant to section 508A.1, except that section 508A.1, subsection 5, shall not be applicable to such account. However, funds held by an insurance company as authorized in this section shall not be chargeable with liabilities arising out of any other business the company may conduct.

NEW UNNUMBERED PARAGRAPH. An instrument or agreement issued or used by an insurance company as authorized by this section does not constitute a security as defined in section 502.102.

Sec. 2. **NEW SECTION.** 508.32A FUNDS HELD IN CUSTODIAL OR SIMILAR ACCOUNT.

A life insurance company organized under this chapter and doing business in this state may hold funds, including additions and contributions, as custodian in a custodial or similar account in conjunction with an accident and health insurance policy. Funds held by an insurance company as authorized by this section may be invested by such company in the manner specified in the account instrument or agreement, and may be held in a separate account established pursuant to section 508A.1. Funds held by an insurance company as authorized by this section shall not be chargeable with liabilities arising out of any other business the company may conduct.

An instrument or agreement issued or used by an insurance company as authorized by