

FINAL REPORT
NON-GENERAL FUND TAX INCENTIVE
ECONOMIC DEVELOPMENT STUDY COMMITTEE

January, 1985

The Legislative Council established the Non-General Fund Tax Incentive Economic Development Study Committee with the charge of reviewing proposals to encourage trade and development in Iowa without impacting the general fund tax base. The initial members of the Committee were:

Senator Senator James D. Wells
Representative Ralph Rosenberg
Senator Patrick J. Deluhery
Senator C. Joseph Coleman
Senator John E. Soorholtz
Senator John W. Jensen
Representative Ned Chiodo
Representative John Groninga
Representative Harlan W. Van Gerpen
Representative Harold Van Maanen

Representative Edward G. Parker was added to the membership of the Committee following the resignation of Representative Chiodo. Senator Wells and Representative Rosenberg were elected Co-chairpersons.

The Committee conducted three meetings. At the first two meetings representatives of Iowa Citizens for Community Improvement, Iowa Development Commission, Iowa State Commerce Commission, Iowa Utility Association, Energy Policy Council, Consumer Advocate, Iowa Association of Business and Industry, Iowa Bankers Association, Iowa Department of Job Service, Iowa Corn Producers, Iowa Pork Producers, Iowa Blue Flame Association, E. F. Hutton and Sheet Metal Contractors of Iowa presented testimony and proposals. In addition, the Community Action Research Group submitted written testimony to the members of the Committee.

The last meeting of the Non-General Fund Tax Incentive Economic Development Study Committee coincided with a December winter snow and ice storm. As a result, the six members present for the morning session of the meeting adopted unanimously a motion to suspend the rule requiring its recommendations to pass with three votes from each house (only 2 senators were able to attend the morning session). However, it should be noted that all except the last recommendation passed with a unanimous vote among those present.

RECOMMENDATIONS

Venture Capital Investment

The first recommendation of the Committee addresses the problem of the lack of sufficient capital for investment in developing new processes and technological improvements in the state. It was the recommendation of the Committee that investment for such development could come from the pension funds of the public safety police officers, Iowa public employees, and police officers and fire fighters. Investment could also be provided through the assets of insurance companies, state banks, state savings banks, and state savings and loan associations. The recommended legislation allows these entities to invest up to five percent of their assets or funds in shares or limited liability equity interests in venture capital firms which agree to use their best effort to make investments in the state's small businesses. A "venture capital firm" is identified under the bill as a business entity whose principal business is or will be the making of investments in small businesses engaged in the development or exploitation of inventions, technological improvements, new processes, or products not previously generally available in the state.

Unemployment Compensation Revisions

Under the current formula for unemployment compensation contributions, businesses which are expanding and providing new jobs in Iowa also have to provide greater unemployment compensation contributions to cover the expanding payroll. This often occurs when the business already has a large reserve balance. The Committee passed out two proposals without recommendations. The reason the Committee could not make a recommendation of do pass for either of the proposals was that data was not yet available showing the fiscal impact of the proposals on unemployment contributions and the trust fund. However the Committee in passing out the proposals believed that one of the two approaches should be utilized by the legislature. In one bill the expanding businesses are given a special contribution rate without affecting the contribution rates of other businesses. This bill however provides a reduction in the overall contributions to the unemployment trust fund. The second proposal does not affect the overall contributions for the fund, but provides for a special ranking of the businesses in the state with a special adjustment made to expanding experience-rated employers with a positive account balance. Thus under this proposal businesses which do not qualify for the special ranking may be required to pay a higher contribution rate.

Lease-Purchase Agreements

The Committee approved two lease-purchase agreement bills. The first relates to the acquisition of computer technology. The bill authorizes state boards, commissions, agencies and authorities to enter into leases for computer services and facilities provided approval is obtained from the executive council. The agreements may

include lease-purchase provisions and payments for maintenance, operation, insurance and taxes. The proposal also affords similar rights to counties and cities and allows the counties and cities to levy taxes to pay for the leases. However, before entering into a lease agreement, the county or city must conduct a public hearing on the proposal.

The second recommendation allows state boards, commissions, agencies and authorities to enter into similar leases and lease-purchase agreements for energy conservation measures. However, before the state agency seeks approval from the executive council, the agency is required to have a comprehensive engineering analysis done of the conservation measure by an engineering firm approved by both the executive council and the energy policy council. Before the executive council may give its approval, the council must in conjunction with the energy policy council make a determination that the resulting energy cost savings to the state will result in the state recovering the cost of the properties or facilities within six years after their initial acquisition.

Special Electric Industrial Incentive Rates

Iowa is confronted with certain electric utilities in the state having excess electric generating capacity. The Committee sought to make a recommendation which would help alleviate some of this excess capacity, help induce businesses to locate or expand their operations within the state, and not hurt existing Iowa utility customers. Although some members of the Committee expressed sentiments that additional revisions should be made to the proposal, the members present voted unanimously for the recommended legislation. The recommendation requires that all rate-regulated public utilities in the state submit an estimate to the Iowa development commission of the utilities' projected excess capacity for the next calendar year. This capacity forms the Iowa industrial incentive wheeling pool and may be made available to qualified businesses at a reduced rate. In order for a business to qualify for the special rate, the business must be certified by the Iowa development commission as being a new or expanding business located or to be located in Iowa, that the business adds value to Iowa products or creates new products or services in the state, and that the business will create new jobs in Iowa. Once the customer is certified, the utility may apply to the Iowa state commerce commission for approval of the incentive rate. The commission may grant the rate if the utility has capacity in excess of one hundred twenty-five percent of its projected peak demand, if the rate at a minimum covers the utility's variable costs of delivering the electricity, and if the special incentive rate does not cause other customers to be charged increased rates. The special incentive rate for a customer must end within 5 years after its implementation.

Restrictions on Public Utility Services

The Committee was also concerned about the growing tendency of Iowa public utilities to provide services beyond those which were historically provided by the utilities in the past. It is felt that

the utility monopolies can unduly induce their customers to use the utilities' related services rather than using those provided through small businesses in the state. Thus the Committee proposed that a public utility be prohibited from providing construction, energy efficiency modernization, or retrofit services unless the utility can demonstrate that there is no other business in the utility's market area which could provide the service. Before the commerce commission may authorize a rate-regulated public utility to provide such services, the commission must conduct a public hearing and find that the requested service will have no adverse competitive effects upon the businesses within the utility's market area. This proposal was recommended by the Committee on a 5-2 vote.

SENATE/HOUSE FILE _____

BY PROPOSED NON-GENERAL FUND TAX
INCENTIVE ECONOMIC DEVELOPMENT
STUDY COMMITTEE BILL

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act allowing the pension funds of the public safety police
2 officers, Iowa public employees, and police officers and
3 fire fighters, and assets of insurance companies, state
4 banks, state savings banks, and state savings and loan
5 associations to be invested in venture capital firms
6 making investments in small businesses in the state.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 97B.7, subsection 2, paragraph b,
2 unnumbered paragraph 1, Code 1985, is amended to read as
3 follows:

4 b. Invest such the portion of said the trust funds as in
5 the judgment of the department are not needed for current
6 payment of benefits under this chapter in interest-bearing
7 securities issued by the United States, or interest-bearing
8 bonds issued by the state of Iowa, or bonds issued by
9 counties, or school districts, or general obligations or
10 limited levy bonds issued by municipal corporations in this
11 state as authorized by law, or in shares or equity interests,
12 but not in excess of five percent of the trust funds, in
13 venture capital firms which agree to use their best efforts to
14 make investments in small businesses having their principal
15 offices within this state and having either more than one-half
16 of their assets within this state or more than one-half of
17 their employees employed within this state, which investment
18 is not subject to the restrictions in subparagraphs (1)
19 through (6), or in other investments authorized for life
20 insurance companies in this state including common stocks
21 issued or guaranteed by a corporation created or existing
22 under the laws of the United States or any a state, district,
23 or territory thereof of the United States subject to the
24 following restrictions:

25 Sec. 2. Section 97B.7, subsection 2, paragraph b, Code
26 1985, is amended by adding the following new unnumbered
27 paragraph:

28 NEW UNNUMBERED PARAGRAPH. For purposes of this subsection,
29 "venture capital firm" means a corporation, partnership, pro
30 priatorship, or other entity formed under the laws of the
31 United States, or a state, district, or territory of the
32 United States and whose principal business is or will be the
33 making of investments in small businesses which meet the small
34 business administration definition of small business and which
35 are principally engaged in the development or exploitation of

1 inventions, technological improvements, new processes, or
2 products not previously generally available in this state and
3 "equity interests" means limited partnership interests and
4 other equity interests in which liability is limited to the
5 amount of the investment, but does not mean general
6 partnership interests or other interests involving general
7 liability.

8 Sec. 3. Section 410.3, Code 1985, is amended by adding the
9 following new unnumbered paragraph:

10 NEW UNNUMBERED PARAGRAPH. Investments may be in shares or
11 equity interests in venture capital firms which agree to use
12 their best effort to make investments in small businesses
13 having their principal offices within this state and having
14 either more than one-half of their assets within this state or
15 more than one-half of their employees employed within this
16 state. The board shall not invest more than five percent of
17 the surplus left in the funds under this paragraph. For
18 purposes of this paragraph, "venture capital firm" means a
19 corporation, partnership, proprietorship, or other entity
20 formed under the laws of the United States, or a state,
21 district, or territory of the United States, and whose
22 principal business is or will be the making of investments in
23 small businesses which meet the small business administration
24 definition of small business and which are principally engaged
25 in the development or exploitation of inventions,
26 technological improvements, new processes, or products not
27 previously generally available in this state and "equity
28 interests" means limited partnership interests and other
29 equity interests in which liability is limited to the amount
30 of the investment, but does not mean general partnership
31 interests or other interests involving general liability.

32 Sec. 4. Section 511.8, Code 1985, is amended by adding the
33 following new subsection:

34 NEW SUBSECTION. 20. VENTURE CAPITAL FIRMS. Shares or
35 equity interests in venture capital firms which agree to use

1 their best effort to make investments in small businesses
2 having their principal offices within this state and having
3 either more than one-half of their assets within this state or
4 more than one-half of their employees employed within this
5 state. A company shall not invest more than five percent of
6 its legal reserve under this subsection. For purposes of this
7 subsection, "venture capital firm" means a corporation,
8 partnership, proprietorship, or other entity formed under the
9 laws of the United States, or a state, district, or territory
10 of the United States, and whose principal business is or will
11 be the making of investments in small businesses which meet
12 the small business administration definition of small business
13 and which are principally engaged in the development or
14 exploitation of inventions, technological improvements, new
15 processes, or products not previously generally available in
16 this state and "equity interests" means limited partnership
17 interests and other equity interests in which liability is
18 limited to the amount of the investment, but does not mean
19 general partnership interests or other interests involving
20 general liability.

21 Sec. 5. Section 515.35, subsection 4, Code 1985, is
22 amended by adding the following new lettered paragraph after
23 lettered paragraph "l" and relettering the remaining
24 paragraphs:

25 NEW LETTERED PARAGRAPH. m. Shares or equity interests in
26 venture capital firms which agree to use their best effort to
27 make investments in small businesses having their principal
28 offices within this state and having either more than one-half
29 of their assets within this state or more than one-half of
30 their employees employed within this state. A company shall
31 not invest more than five percent of its capital and surplus
32 under this paragraph. For purposes of this paragraph,
33 "venture capital firm" means a corporation, partnership,
34 proprietorship, or other entity formed under the laws of the
35 United States, or a state, district, or territory of the

1 United States, and whose principal business is or will be the
2 making of investments in small businesses which meet the small
3 business administration definition of small business and which
4 are principally engaged in the development or exploitation of
5 inventions, technological improvements, new processes, or
6 products not previously generally available in this state and
7 "equity interests" means limited partnership interests and
8 other equity interests in which liability is limited to the
9 amount of the investment, but does not mean general
10 partnership interests or other interests involving general
11 liability.

12 Sec. 6. Section 524.901, subsection 3, Code 1985, is
13 amended by adding the following new lettered paragraph:

14 NEW LETTERED PARAGRAPH. g. Shares or equity interests in
15 venture capital firms which agree to use their best effort to
16 make investments in small businesses having their principal
17 offices within this state and having either more than one-half
18 of their assets within this state or more than one-half of
19 their employees employed within this state. A state bank
20 shall not invest more than five percent of its capital and
21 surplus under this paragraph. For purposes of this paragraph,
22 "venture capital firm" means a corporation, partnership,
23 proprietorship, or other entity formed under the laws of the
24 United States, or a state, district, or territory of the
25 United States, and whose principal business is or will be the
26 making of investments in small businesses which meet the small
27 business administration definition of small business and which
28 are principally engaged in the development or exploitation of
29 inventions, technological improvements, new processes, or
30 products not previously generally available in this state and
31 "equity interests" means limited partnership interests and
32 other equity interests in which liability is limited to the
33 amount of the investment, but does not mean general
34 partnership interests or other interests involving general
35 liability.

1 employees employed in the state or more than one-half of their
2 assets within the state. There is a limit of not more than
3 five percent of the funds or assets which can be invested in
4 venture capital firms.

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SENATE/HOUSE FILE _____

BY PROPOSED NON-GENERAL FUND TAX
INCENTIVE ECONOMIC DEVELOPMENT
STUDY COMMITTEE BILL

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the ranking of certain expanding employers
2 on the unemployment compensation contribution rate tables.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 96.7A EXPANDING EMPLOYMENT
2 INCENTIVE.

3 An employer qualified for an experience rating with a
4 positive balance in the employer's account may apply no later
5 than thirty days following the rate computation date to the
6 department for an adjustment to the employer's average annual
7 payroll due to an increase in employment.

8 1. An employer's increase in employment for the purpose of
9 the adjustment is the lesser of the two numbers calculated
10 pursuant to paragraphs "a" and "b".

11 a. The employer's increase in employment, calculated by
12 number of employees, equals the average mid-monthly employment
13 reported by the employer for the calendar year immediately
14 preceding the rate computation date minus the four-year
15 average mid-month employment reported by the employer for the
16 four calendar years preceding the calendar year which
17 immediately precedes the rate computation date.

18 b. The employer's increase in employment, calculated by
19 amount of taxable wages, equals the taxable wages reported by
20 the employer for the calendar year immediately preceding the
21 rate computation date minus the four-year average of the
22 taxable wages reported by the employer for the four calendar
23 years preceding the calendar year which immediately precedes
24 the rate computation date, divided by the taxable wage base
25 for the calendar year immediately preceding the rate
26 computation date.

27 2. The adjustment to the employer's average annual payroll
28 equals the employer's average annual payroll minus the product
29 of the employer's increase in employment calculated pursuant
30 to subsection 1 and _____ dollars.

31 3. The department shall use the employer's adjusted
32 average annual payroll to compute the employer's percentage of
33 excess, shall compute the employer's percentage of excess rank
34 by ranking the employer's percentage of excess relative to all
35 other employers' percentages of excess, and shall assign the

1 employer the contribution rate in the rate table which
2 corresponds to the employer's percentage of excess rank.

3 EXPLANATION

4 This bill allows an expanding experience-rated employer
5 with a positive account balance to apply to the department of
6 job service for a decrease in the employer's average annual
7 payroll in order to give the employer a better ranking, in
8 comparison to other employers, in the contribution rate
9 tables.

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SENATE/HOUSE FILE _____

BY PROPOSED NON-GENERAL FUND TAX
INCENTIVE ECONOMIC DEVELOPMENT
STUDY COMMITTEE BILL

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the establishment of a special unemployment
2 compensation contribution rate for certain expanding
3 employers.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 96.7A EXPANDING EMPLOYMENT
2 INCENTIVE.

3 An employer qualified for an experience rating with a
4 positive balance in the employer's account may apply no later
5 than thirty days following the rate computation date to the
6 department for an adjustment to the employer's average annual
7 payroll due to an increase in employment.

8 1. An employer's increase in employment for the purpose of
9 the adjustment is the lesser of the two numbers calculated
10 pursuant to paragraphs "a" and "b".

11 a. The employer's increase in employment, calculated by
12 number of employees, equals the average mid-month employment
13 reported by the employer for the calendar year immediately
14 preceding the rate computation date minus the four-year
15 average mid-month employment reported by the employer for the
16 four calendar years preceding the calendar year which
17 immediately precedes the rate computation date.

18 b. The employer's increase in employment, calculated by
19 amount of taxable wages, equals the taxable wages reported by
20 the employer for the calendar year immediately preceding the
21 rate computation date minus the four-year average of the
22 taxable wages reported by the employer for the four calendar
23 years preceding the calendar year which immediately precedes
24 the rate computation date, divided by the taxable wage base
25 for the calendar year immediately preceding the rate
26 computation date.

27 2. The adjustment to the employer's average annual payroll
28 equals the employer's average annual payroll minus the product
29 of the employer's increase in employment calculated pursuant
30 to subsection 1 and _____ dollars.

31 3. The department shall use the employer's average annual
32 payroll to compute the employer's percentage of excess, shall
33 compute the employer's percentage of excess rank by ranking
34 the employer's percentage of excess relative to all other
35 employers' percentages of excess, shall recompute the

1 employer's percentage of excess by using the employer's
2 adjusted average annual payroll, and shall assign the employer
3 the contribution rate in the rate table which corresponds to
4 the employer's adjusted percentage of excess rank without
5 adjusting the total taxable wages in each rank and without
6 reranking employers in the rate table.

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EXPLANATION

8 This bill allows an expanding experience-rated employer
9 with a positive account balance to apply to the department of
10 job service for a decrease in the employer's average annual
11 payroll in order to possibly give the employer a lower
12 contribution rate. The other employers are not reranked after
13 reducing an expanding employer's contribution rate and
14 therefore the bill avoids increasing other employers'
15 contribution rates.

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SENATE/HOUSE FILE _____

BY PROPOSED NON-GENERAL FUND TAX
INCENTIVE ECONOMIC DEVELOPMENT
STUDY COMMITTEE BILL

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the lease of computer services and facilities
2 including the leasing of related real and personal properties
3 and facilities by public bodies, including state boards,
4 departments, agencies and authorities and cities and
5 counties, and including the levy of taxes by participating
6 cities and counties, taking effect upon publication.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 19.34 APPROVAL OF LEASES.

2 As used in this section, "state agency" means a board,
3 department, commission or authority of or acting on behalf of
4 the state having the power to enter into contracts to acquire
5 property in its own name or in the name of the state. "State
6 agency" does not mean the general assembly, the courts, the
7 governor or political subdivision of the state.

8 A state agency may, with the approval of the executive
9 council, lease as lessee computer services and facilities in-
10 cluding the lease of real and personal properties used in
11 connection with the computer services and facilities, upon the
12 terms, conditions and considerations the official or officials
13 having the authority to commit the state agency to acquire
14 real and personal property and facilities deem in the best
15 interests of the state agency. A lease may include provisions
16 for ultimate ownership by the state or by the state agency and
17 may obligate the state agency to pay costs of maintenance,
18 operation, insurance and taxes. The state agency may pay the
19 rentals and the additional costs from annual appropriations by
20 the general assembly or from other funds legally available.
21 The lessor of the properties or facilities may retain a
22 security interest in them until title passes to the state or
23 state agency. The security interest may be assigned or
24 pledged by the lessor. In connection with the lease, the
25 state agency may contract for a letter of credit, insurance or
26 other security enhancement obligation with respect to its
27 rental and other obligations and pay the cost from annual
28 appropriations by the general assembly or from other funds
29 legally available. The security enhancement arrangement may
30 contain customary terms and provisions, including
31 reimbursement and acceleration if appropriate. This section
32 is a complete and independent authorization and procedure for
33 a state agency, with the approval of the executive council, to
34 enter into a lease and related security enhancement
35 arrangements and this section is not a qualification of any

1 other powers which a state agency may possess, including those
2 under chapter 262, and the authorization and powers granted
3 under this section are not subject to the terms or
4 requirements of any other provision of the Code.

5 Sec. 2. NEW SECTION. 331.363 LEASES.

6 A county may lease as lessee computer services and fa-
7 cilities including the lease of real and personal properties
8 and facilities used in connection with the county's computer
9 operations, upon the terms, conditions and considerations the
10 board deems in the best interests of the county. A lease may
11 include provisions for ultimate ownership by the county and
12 may obligate the county to pay the costs of maintenance,
13 operation, insurance and taxes. The county may pay the
14 rentals and the additional costs from the proceeds of taxes
15 levied annually by the county or from other funds legally
16 available. The lessor of the properties or facilities may
17 retain a security interest in them until title passes to the
18 county. The security interest may be assigned or pledged by
19 the lessor. In connection with the lease, a county may
20 contract for a letter of credit, insurance or other security
21 enhancement obligation with respect to its rental and other
22 obligations and pay the cost from the proceeds of taxes levied
23 annually by the county or from other funds legally available.
24 The security enhancement arrangement may contain customary
25 terms and provisions, including reimbursement and acceleration
26 if appropriate. Before entering into the lease or security
27 enhancement arrangement, the county shall publish notice as
28 provided under section 331.305. The notice shall contain a
29 description of the proposed transaction sufficient to advise
30 the public of its general nature and shall state the time and
31 place of the board's public hearing on the proposal. At the
32 public hearing, the board shall receive oral or written
33 objections against and statements in support of the proposed
34 transaction from any resident or property owner of the county.
35 After all objections and statements have been received and

1 considered, the board at that meeting or an adjournment of
2 that meeting may determine to proceed with or abandon the
3 proposed transaction. A resident or property owner of the
4 county may appeal the decision of the board to proceed with or
5 abandon the proposed transaction to the district court of the
6 county within fifteen days after the determination is made,
7 but the determination of the board is final unless the court
8 finds that the board exceeded its authority. The lease and
9 security enhancement arrangements may be authorized by
10 resolution of the board which may be adopted at the same
11 meeting at which it is introduced and may be effective upon
12 adoption. This section is a complete and independent
13 authorization and procedure for a county to enter into a lease
14 and related security enhancement arrangements under this
15 section, and this section is not a qualification of any other
16 powers which the county may possess, and the authorization and
17 powers granted under this section are not subject to the terms
18 or requirements of any other provision of the Code.

19 Sec. 3. Section 331.424, subsection 1, Code 1985, is
20 amended by adding the following new lettered paragraph:

21 NEW LETTERED PARAGRAPH. p. An amount sufficient to pay
22 the annual rentals under leases entered into under section
23 331.363, together with the cost of operation, maintenance,
24 insurance and taxes which are the county's obligation under
25 the leases and not included in the lease rental payments, and
26 the cost of any security enhancement arrangements entered into
27 in connection with the leases.

28 Sec. 4. NEW SECTION. 364.22 LEASES.

29 Subject to section 364.21, a city may lease as lessee
30 computer services and facilities including the lease of real
31 and personal properties and facilities used in connection with
32 the city's computer operations upon the terms, conditions and
33 considerations the council deems to be in the best interests
34 of the city. A lease may include provisions for ultimate
35 ownership by the city and may obligate the city to pay the

1 costs of maintenance, operation, insurance and taxes. The
2 city may pay the rentals and the additional costs from
3 proceeds of taxes levied annually by the city or from other
4 funds legally available. The lessor of the properties or
5 facilities may retain a security interest in them until title
6 passes to the city. The security interest may be assigned or
7 pledged by the lessor. In connection with the lease, a city
8 may contract for a letter of credit, insurance or other
9 security enhancement obligation with respect to its rental and
10 other obligations and may pay the cost from the proceeds of
11 taxes levied annually by the city or from other funds legally
12 available. The security enhancement arrangements may contain
13 customary terms and provisions, including reimbursement and
14 acceleration if appropriate. Before entering into the lease
15 or security enhancement arrangement, the city shall publish
16 notice as provided under section 362.3. The notice shall
17 contain a description of the proposed transaction sufficient
18 to advise the public of its general nature and shall state the
19 time and place of the council's public hearing on the pro-
20 posal. At the public hearing, the council shall receive oral
21 or written objections against and statements in support of the
22 proposed transaction from any resident or property owner of
23 the city. After all objections and statements have been
24 received and considered, the council at that meeting or an
25 adjournment of that meeting may determine to proceed with or
26 abandon the proposed transaction. A resident or property
27 owner of the city may appeal the decision of the council to
28 proceed with or abandon the proposed transaction to the
29 district court of the county in which any part of the city is
30 located within fifteen days after the determination is made,
31 but the determination of the council is final unless the court
32 finds that the council exceeded its authority. The lease and
33 security enhancement arrangements may be authorized by
34 resolution of the council which may be adopted at the same
35 meeting at which it is introduced and may be effective upon

1 adoption. This section is a complete and independent
2 authorization and procedure for a city to enter into any lease
3 and related security enhancement arrangements under this
4 section, and this section is not a qualification of any other
5 powers which the city may possess, and the authorization and
6 powers granted under this section are not subject to the terms
7 or requirements of any other provision of the Code.

8 Sec. 5. Section 384.12, Code 1985, is amended by adding
9 the following new subsection:

10 NEW SUBSECTION. 20. An amount sufficient to pay the
11 annual rentals under leases entered into under section 364.22,
12 together with the cost of operation, maintenance, insurance
13 and taxes which are the city's obligation under the leases and
14 not included in the lease rental payments, and the cost of any
15 security enhancement arrangements entered into in connection
16 with the leases.

17 Sec. 6. Chapter 470, Code 1985, is amended by adding the
18 following new section:

19 NEW SECTION. 470.10 LEASES.

20 This chapter applies to a facility leased or proposed to be
21 leased by a board, department, agency or authority of or
22 acting on behalf of the state or any city or county pursuant
23 to sections 19.34, 331.363 or 364.22 to the same extent and
24 with the same force and effect as if the facility was to be
25 constructed or renovated by the state board, department,
26 agency or authority or the city or the county.

27 Sec. 7. This Act, being deemed of immediate importance,
28 takes effect from and after its publication in The Cedar Rapids
29 Gazette, a newspaper published in Cedar Rapids,
30 Iowa, and in The Nevada Evening Journal, a newspaper published in
31 Nevada, Iowa.

32 EXPLANATION

33 This bill authorizes state boards, departments,
34 commissions, agencies and authorities to enter into leases for
35 computer services and facilities including the related leasing

1 of real and personal properties and facilities. The leases
2 may include lease-purchase agreements. However the leases are
3 subject to approval from the executive council. The
4 agreements may also include payments for maintenance,
5 operation, insurance and taxes.

6 The bill also affords similar rights to counties and cities
7 and allows the counties and cities to levy taxes to pay for
8 the leases. Before entering into a lease agreement, the
9 county or city must conduct a public hearing on the proposal.

10 The bill adds new sections 19.34, 331.363, and 364.22 to
11 the Code.

12 The bill takes effect upon publication.

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SENATE/HOUSE FILE _____

BY PROPOSED NON-GENERAL FUND TAX
INCENTIVE ECONOMIC DEVELOPMENT
STUDY COMMITTEE BILL

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the lease by state agencies of real and
2 personal properties and facilities for use as or in
3 connection with any energy conservation measure.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 19.34 APPROVAL OF LEASES.

2 As used in this section, "state agency" means a board,
3 department, commission or authority of or acting on behalf of
4 the state having the power to enter into contracts to acquire
5 property in its own name or in the name of the state. "State
6 agency" does not mean the general assembly, the courts, the
7 governor or political subdivision of the state.

8 A state agency may, with the approval of the executive
9 council, lease as lessee real and personal properties and fa
10 cilities for use as or in connection with any energy
11 conservation measure for which it may so acquire real and
12 personal properties and facilities, upon the terms, conditions
13 and considerations the official or officials having the
14 authority to commit the state agency to acquire real and
15 personal property and facilities deem in the best interests of
16 the state agency. A lease may include provisions for ultimate
17 ownership by the state or by the state agency and may obligate
18 the state agency to pay costs of maintenance, operation,
19 insurance and taxes. The state agency shall pay the rentals
20 and the additional costs from the annual appropriations
21 budgeted for energy purposes by the general assembly or from
22 other funds legally available. The lessor of the properties
23 or facilities may retain a security interest in them until
24 title passes to the state or state agency. The security in
25 terest may be assigned or pledged by the lessor. In con
26 nection with the lease, the state agency may contract for a
27 letter of credit, insurance or other security enhancement
28 obligation with respect to its rental and other obligations
29 and pay the cost from annual appropriations budgeted for
30 energy purposes by the general assembly or from other funds
31 legally available. The security enhancement arrangement may
32 contain customary terms and provisions, including
33 reimbursement and acceleration if appropriate. This section
34 is a complete and independent authorization and procedure for
35 a state agency, with the approval of the executive council, to

1 enter into a lease and related security enhancement
2 arrangements and this section is not a qualification of any
3 other powers which a state agency may possess, including those
4 under chapter 262, and the authorization and powers granted
5 under this section are not subject to the terms or
6 requirements of any other provision of the Code.

7 Before a state agency seeks approval of the executive
8 council for leasing real or personal properties or facilities
9 for use as or in connection with any energy conservation
10 measure, the state agency shall have a comprehensive
11 engineering analysis done of the energy conservation measure
12 and the building in which it will be used by an engineering
13 firm approved by both the executive council and the energy
14 policy council.

15 Before the executive council gives its approval for a state
16 agency to lease real and personal properties or facilities for
17 use as or in connection with any energy conservation measure,
18 the executive council shall in conjunction with the energy
19 policy council and after review of the engineering analysis
20 submitted by the state agency make a determination that the
21 properties or facilities will result in energy cost savings to
22 the state in an amount that results in the state recovering
23 the cost of the properties or facilities within six years
24 after the initial acquisition of the properties or facilities.

25 EXPLANATION

26 This bill authorizes state boards, departments, authorities
27 and other agencies to lease, subject to approval of the
28 executive council, real and personal properties and facilities
29 for use as or in connection with any energy conservation
30 measure. The rentals and additional costs are to be paid for
31 out of moneys that would have been budgeted for energy
32 purposes. The lease may be a lease-purchase agreement where
33 the state will ultimately own the property or facility.
34 Before a state agency seeks executive council approval for the
35 lease of such property and facilities, it must have a

1 comprehensive engineering analysis done of the energy
2 conservation measure and the building in which it will be
3 used. Before the executive council approves a lease, it must
4 determine in conjunction with the energy policy council that
5 the state will have energy cost savings as a result of the
6 leasing of the property or facility and the total amount of
7 the energy cost savings will result in the state recovering
8 the cost of the property or facility within six years after
9 the initial acquisition.

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SENATE/HOUSE FILE _____

BY PROPOSED NON-GENERAL FUND TAX
INCENTIVE ECONOMIC DEVELOPMENT
STUDY COMMITTEE BILL

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to special industrial incentive rates for
2 qualified customers of rate-regulated electric public
3 utilities.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 476.61 SPECIAL INDUSTRIAL IN-
2 CENTIVE RATES.

3 1. IOWA INDUSTRIAL INCENTIVE WHEELING POOL. On December
4 31 of each year, each electric public utility subject to rate
5 regulation under this chapter shall file with the Iowa
6 development commission an estimate of the utility's available
7 electric generating capacity which is in excess of one hundred
8 twenty-five percent of the utility's projected peak demand for
9 the next calendar year. The available capacity shall
10 constitute the Iowa industrial incentive wheeling pool.
11 Notwithstanding section 476.5, special industrial incentive
12 rates may be approved under this section for business or com-
13 mercial customers of a public utility from the utility's
14 capacity available to the Iowa industrial incentive wheeling
15 pool.

16 2. IOWA DEVELOPMENT COMMISSION CERTIFICATION. In order
17 for a business or commercial customer of a public utility to
18 qualify for special industrial incentive rates under this
19 section, the customer shall be certified by the Iowa
20 development commission as meeting all of the following
21 criteria:

22 a. The customer is a new or expanding business located or
23 to be located in Iowa.

24 b. The customer's business adds value to Iowa products or
25 creates new products or services in the state.

26 c. The customer will create new jobs in Iowa.

27 3. INCENTIVE RATE APPROVED BY COMMISSION. A public
28 utility may file an application with the Iowa state commerce
29 commission for the approval of a special industrial incentive
30 electric rate, charge, or schedule for a customer who has been
31 certified under subsection 2. The Iowa commerce commission
32 may approve the special industrial incentive rate if all of
33 the following are met:

34 a. The public utility has electric generating capacity in
35 excess of one hundred twenty-five percent of the utility's

1 projected peak demand for the next calendar year.

2 b. The electricity delivered to the qualified customer
3 will not bring the utility's capacity available to other
4 customers to less than one hundred twenty-five percent of the
5 utility's projected peak demand for the next five calendar
6 years.

7 c. The special incentive rate, charge, or schedule at a
8 minimum covers the utility's variable costs of delivering the
9 electricity to the qualified customer.

10 d. The special incentive rate, charge, or schedule does
11 not cause other customers of the utility to be charged an
12 increase in their applicable electric utility rates, charges,
13 or schedules.

14 e. The special incentive rate, charge, or schedule for the
15 customer ends within five years after its implementation.

16 EXPLANATION

17 This bill allows special industrial incentive electric
18 rates to apply to qualified customers of a rate-regulated
19 public utility. In order for a customer to qualify, the
20 customer must be certified by the Iowa development commission
21 as being a new or expanding business, a business which adds
22 value to Iowa products or creates new products or services,
23 and a business which will create new jobs in Iowa.

24 The Iowa state commerce commission may approve the special
25 incentive rate if the public utility has sufficient excess
26 electric generating capacity and if the rate covers variable
27 costs, does not cause increases in other customers' rates, and
28 expires within five years.

29 The bill creates new section 476.61.

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SENATE/HOUSE FILE _____

BY PROPOSED NON-GENERAL FUND TAX
INCENTIVE ECONOMIC DEVELOPMENT
STUDY COMMITTEE BILL

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act restricting the provision of certain services by
2 public utilities.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 476.18A RESTRICTIONS ON SERVICES
2 BY A PUBLIC UTILITY.

3 A public utility shall not provide construction, energy
4 efficiency modernization, or retrofit services unless the
5 utility can demonstrate that there is no other business in the
6 utility's market area which could provide the service. If a
7 rate-regulated public utility requests to provide
8 construction, energy efficiency modernization, or retrofit
9 services, the commission shall conduct a public hearing and
10 must find that the requested service will have no adverse
11 competitive effects upon businesses within the utility's
12 market area before the requested service may be approved by
13 the commission.

14 EXPLANATION

15 This bill prohibits public utilities, including those not
16 generally subject to rate regulation under chapter 476, from
17 providing construction, energy efficiency modernization, or
18 retrofit services. However, the public utility may provide
19 the services if the utility can demonstrate that there is no
20 other business in the utility's market area which could
21 provide the service.

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