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SENATE FILE 2092
BY COMMITTEE ON SMALL BUSINESS
AND ECONOMIC DEVELOPMENT
App. 1877 (SSB 2022)

Passed Senate, Date 3/9/88 (p. 1452) Passed House, Date 4/6/88 (p. 1452)

Vote: Ayes 29 Nays 16 Vote: Ayes 97 Nays 2

Approved May 11, 1988
Tom Uetaed

A BILL FOR

1 An Act establishing a community and rural development loan
2 program to assist communities in financing traditional and new
3 infrastructure and housing for needy and elderly and providing
4 for a revolving fund to be used for the program.

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

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SF 2092

1 Section 1. NEW SECTION. 15.281 TITLE.

2 This part shall be known as the "Community and Rural
3 Development Loan Program".

4 Sec. 2. NEW SECTION. 15.282 PURPOSE.

5 The purpose of this part is to assist communities and rural
6 areas of the state with their development and governmental
7 responsibilities by providing low interest and no-interest
8 loans for traditional infrastructure, new infrastructure, and
9 housing.

10 Sec. 3. NEW SECTION. 15.283 PROGRAM.

11 The department shall establish a program to effectuate the
12 purposes of this part subject to the following guidelines:

13 1. Program criteria and applications are to be developed
14 by the finance division of the department in conjunction with
15 the Iowa finance authority, subject to approval of the boards
16 of the department and Iowa finance authority.

17 2. All funds available for the program shall be handled by
18 the Iowa finance authority.

19 3. The program shall provide for three categories of
20 assistance. These are the traditional infrastructure
21 category, the new infrastructure category, and the housing
22 category.

23 4. Moneys allocated to the pursuit of this program shall
24 be divided evenly among all categories. If funds allocated to
25 one category are not used or dedicated by the end of the
26 fiscal year, the funds shall be reallocated to the categories
27 that have the most need as determined by the department and
28 the Iowa finance authority.

29 Sec. 4. NEW SECTION. 15.284 TRADITIONAL INFRASTRUCTURE.

30 1. The traditional infrastructure category contains
31 projects that include, but are not limited to, sewer, water,
32 roads, bridges, and airports.

33 2. Any Iowa city or county is eligible to apply for loans
34 from this category. Along with the application, the city or
35 county shall submit the following:

- 1 a. A needs assessment study.
- 2 b. A capital improvement program.
- 3 c. Evidence of matching contribution of at least twenty-
- 4 five percent.

5 3. Applications must be seeking funds to improve the
6 physical assets of the traditional infrastructure of the
7 political subdivision in aid of development.

8 4. The finance division of the department shall rank the
9 applicants according to financial need, cost-benefit of the
10 project, percent of match, impact, and ability to administer
11 project.

12 5. The interest rate shall range from zero to five
13 percent. The department may charge up to a one percent
14 administration fee.

15 Sec. 5. NEW SECTION. 15.285 NEW INFRASTRUCTURE.

16 1. The new infrastructure category contains projects which
17 are services or processes that do not currently meet the
18 guidelines of standard public works projects. These include,
19 but are not limited to, communication systems, day care,
20 health care, technology transfer adaptation, and special
21 transportation services.

22 2. Any political subdivision, or nonprofit development
23 corporation, is eligible to apply for loans under this
24 category.

25 3. Along with the application, the following shall be
26 submitted:

- 27 a. A needs assessment study.
- 28 b. A capital improvement plan.
- 29 c. Evidence of a match of at least ten percent.

30 4. The finance division of the department shall rank the
31 applications according to the applicant's financial need,
32 cost-benefit of the project, current conditions or situations,
33 percent of private investment or contribution, and ability to
34 administer the project.

35 Sec. 6. NEW SECTION. 15.286 HOUSING.

1 Any Iowa city, county, housing agency, or developer shall
2 be eligible to apply for loans under this category. Along
3 with the application the person shall submit the following:

- 4 a. A needs assessment for the area to be served.
- 5 b. A demographic documentation of the housing trend.
- 6 c. Evidence of a local commitment of at least twenty-five
7 percent.

8 2. Applicants must be seeking funds to assist in meeting
9 the area needs of low and moderate income, or elderly people,
10 in pursuit of decent housing.

11 3. The Iowa finance authority shall develop criteria to
12 award assistance based upon the applicant's financial need,
13 the cost-benefit of the project, percent of private
14 investment, percent leveraged by other programs, assessment of
15 local housing situation, and ability to administer the
16 program.

17 4. Interest charged to applicants shall range from zero to
18 five percent. The Iowa finance authority may charge ap-
19 plicants an administration fee to be paid as a lump sum per-
20 cent, or a percent of the interest rate.

21 Sec. 7. NEW SECTION. 15.287 REVOLVING FUND.

22 The Iowa finance authority shall establish a revolving fund
23 for the program. The fund shall consist of all
24 appropriations, grants, or gifts received by the authority or
25 the department specifically for use under this part; revenues
26 designated in section 98.35 to be deposited in the fund; and
27 all repayments of loans made under this part.

28 Sec. 8. Section 98.35, Code 1987, is amended to read as
29 follows:

30 98.35 TAX AND FEES PAID TO GENERAL FUND.

31 The proceeds derived from the sale of stamps and the
32 payment of taxes, fees and penalties provided for under this
33 chapter, and the permit fees received from all permits issued
34 by the department, shall be credited to the general fund of
35 the state, except as otherwise provided in this section. All

1 permit fees provided for in this chapter and collected by
2 cities in the issuance of permits granted by the cities shall
3 be paid to the treasurer of the city where the permit is
4 effective, or to another city officer as designated by the
5 council, and credited to the general fund of the city. Permit
6 fees so collected by counties shall be paid to the county
7 treasurer. Two and one-half cents of the first five cents
8 received from the sale of each stamp and the payment of the
9 tax on each pack of cigarettes or little cigars shall be
10 deposited into the revolving fund established by the Iowa
11 finance authority under section 15.287.

12 EXPLANATION

13 The bill establishes a community and rural development loan
14 program to be administered by the finance division of the
15 department of economic development and the Iowa finance
16 authority. The program is established to provide low interest
17 loans to aid communities in maintaining or constructing
18 traditional infrastructure such as sewer, water, roads and
19 bridges; new infrastructure such as communications systems,
20 technology access or transfer, health care, and day care; and
21 housing for the low or moderate income and elderly. A
22 revolving fund is established and two and one-half cents of
23 the first five cents of tax received from the cigarette tax on
24 each pack of cigarettes is deposited in the fund.

25 SUCCESSOR TO SSB 2022 (LSB 7598IS)

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SENATE FILE 2092

S-5123

1 Amend Senate File 2092 as follows:

2 1. Page 1, line 13, by striking the word
3 "Program" and inserting the following: "General
4 program".

5 2. Page 1, by striking lines 17 through 28, and
6 inserting the following:

7 "2. The program shall provide for three categories
8 of assistance. These are the traditional
9 infrastructure category, the new infrastructure
10 category, and the housing category.

11 3. All moneys available for the traditional infra-
12 structure category and the new infrastructure category
13 shall be administered by the department. All moneys
14 available for the housing category shall be
15 administered by the Iowa finance authority.

16 4. Moneys available under this program shall be
17 allocated so that seventy percent of the moneys are
18 for the traditional and new infrastructure categories
19 of which at least fifteen percent of the moneys are
20 for the new infrastructure category. Thirty percent
21 of the moneys shall be allocated for the housing
22 category. At least fifty percent of the moneys
23 allocated to each category shall be set aside for
24 cities with populations of twenty thousand or less.
25 For purposes of this set aside, any city located in a
26 county with a population in excess of three hundred
27 thousand that is contiguous to another municipality in
28 the county and that municipality is contiguous to the
29 largest city in that county shall be considered as
30 having a population in excess of twenty thousand."

31 3. Page 1, line 32, by striking the words "and
32 airports" and inserting the following: "airports, and
33 other projects described in section 384.24, subsection
34 3".

35 4. Page 2, line 4, by inserting after the word
36 "percent" the following: "of the total project cost".

37 5. Page 2, by striking lines 12 through 14 and
38 inserting the following:

39 "5. The interest rate shall be below the
40 prevailing market rate. The department may charge
41 applicants an administration fee, not to exceed one
42 percent of the principal amount of the loan, to be
43 paid as a lump sum percent or a percent of the
44 interest rate.

45 6. The department may coordinate with the
46 department of natural resources to assist political
47 subdivisions receiving federal or other state aid for
48 waste water treatment facilities. However, the
49 department shall not allocate more than fifty percent
50 of the moneys available to this category for this

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1 purpose."

2 6. Page 2, line 20, by striking the word "and".

3 7. Page 2, line 21, by inserting after the word

4 "services" the following: ", emergency medical

5 services, and other projects described in section

6 384.24, subsection 4".

7 8. Page 2, by inserting after line 34 the

8 following:

9 "5. The interest rate shall be below the

10 prevailing market rate. The department may charge

11 applicants an administration fee, not to exceed one

12 percent of the principal amount of the loan, to be

13 paid as a lump sum percent or a percent of the

14 interest rate."

15 9. Page 3, line 19, by inserting after the word

16 "fee" the following: ", not to exceed one percent of

17 the principal amount of the loan,".

18 10. Page 3, line 23, by inserting after the word

19 "program" the following: "and shall transfer to the

20 department moneys to be administered by the

21 department. The moneys in the revolving fund are

22 appropriated for purposes of the program.

23 Notwithstanding section 8.33, moneys in the fund at

24 the end of a fiscal year shall not revert to any other

25 fund but shall remain in the revolving fund".

26 11. Page 3, by inserting after line 27 the

27 following:

28 "Sec. ____ . NEW SECTION. 15.288 LOCAL BONDS NOT

29 REQUIRED -- INDEBTEDNESS LIMITATIONS.

30 A city, county, political subdivision, or other

31 municipal corporation shall not be required to issue

32 its bonds to secure loans under the community and

33 rural development loan program. It is the intent of

34 the general assembly that loans received by a city,

35 county, political subdivision, or other municipal

36 corporation under the loan program shall not

37 constitute an indebtedness of that entity within the

38 meaning of any state constitutional provision or

39 statutory limitation."

40 12. Page 4, by inserting after line 11 the

41 following:

42 "Sec. ____ . NEW SECTION. 220.131 COMMUNITY AND

43 RURAL DEVELOPMENT LOAN PROGRAM.

44 The authority may exercise all of its powers

45 contained in this chapter, including but not limited

46 to, the power to issue bonds and notes, to implement

47 and carry out the purposes of the community and rural

48 development loan program established pursuant to

49 sections 15.281 through 15.288. The authority shall

50 issue its bonds and notes for the loan program

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1 consistent with the loan program and shall provide
2 that the bonds and notes shall be payable solely from
3 moneys in the revolving fund established pursuant to
4 section 15.287. The authority shall not issue more
5 than fifteen million dollars in bonds or notes in any
6 one calendar year."

7 13. Title page, lines 3 and 4, by striking the
8 words "and providing for" and inserting the following:
9 ", authorizing the Iowa finance authority to issue
10 bonds and notes for the program, and providing an
11 appropriation from".

S-5123

Filed February 22, 1988

Adopted 2/19 (S. 692)

BY COMMITTEE ON APPROPRIATIONS
JOE WELSH, Chairperson

SENATE FILE 2092

S-5243

1 Amend Senate File 2092 as follows:

2 1. Page 4, line 9, by inserting after the word
3 "cigars" the following: ", not to exceed five million
4 dollars in a fiscal year,".

S-5243

Filed March 7, 1988

Adopted 2/19 (S. 692)

BY JOE WELSH

SENATE FILE 2092

S-5264

1 Amend Senate File 2092 as follows:

2 1. Page 4, by inserting after line 11 the
3 following:

4 "Sec. ____ . NEW SECTION. 455B.291 DEFINITIONS.

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

7 1. "Authority" means the Iowa finance authority
8 established in section 220.2.

9 2. "Cost" means all costs, charges, expenses, or
10 other indebtedness incurred by a municipality and
11 determined by the director as reasonable and necessary
12 for carrying out all works and undertakings necessary
13 or incidental to the accomplishment of any project.

14 3. "Municipality" means the city, county, sanitary
15 district, or other governmental body or corporation
16 empowered to provide sewage collection and treatment
17 services, or any combination of two or more of such
18 governmental bodies or corporations acting jointly, in
19 connection with a project.

20 4. "Project" means the acquisition, construction,
21 reconstruction, extension, equipping, improvement, or
22 rehabilitation of any works and facilities useful for
23 the collection, treatment, and disposal of sewage and
24 industrial waste in a sanitary manner including
25 treatment works as defined in section 212 of the Clean
26 Water Act, or the implementation and development of
27 management programs established under sections 319 and
28 320 of the Clean Water Act.

29 5. "Clean Water Act" means the federal Water
30 Pollution Control Act of 1972, Pub. L. No. 92-500, as
31 amended by the Water Quality Act of 1987, Pub. L. No.
32 100-4, as published in 33 U.S.C. §§ 1251-1376.

33 6. "Sewage treatment works revolving loan fund" or
34 "revolving loan fund" means the sewage treatment works
35 revolving loan fund established in section 455B.295.

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

39 8. "Program" means the Iowa sewage treatment works
40 financing program created pursuant to section
41 455B.294.

42 9. "Executive director" means the executive
43 director of the Iowa finance authority.

44 Sec. ____ . NEW SECTION. 455B.292 FINDINGS.

45 The general assembly finds that the proper
46 construction, rehabilitation, operation, and
47 maintenance of modern and efficient sewer systems and
48 wastewater treatment works are essential to protecting
49 and improving the state's water quality; that
50 protecting water quality is an issue of concern to the

1 citizens of the state; that in addition to protecting
2 and improving the state's water quality, adequate
3 wastewater treatment works are essential to economic
4 growth and development; that during the last several
5 years the amount of federal grant money available to
6 states and local governments for assistance in
7 constructing and improving wastewater treatment works
8 has sharply diminished and will likely continue to
9 diminish; and that it is proper for the state to
10 encourage local governments to undertake wastewater
11 treatment projects through the establishment of a
12 state mechanism to provide loans at the lowest
13 reasonable rates.

14 Sec. ____ . NEW SECTION. 455B.293 POLICY.

15 It is the policy of the general assembly that it is
16 in the public interest to establish a sewage treatment
17 works financing program and a revolving loan fund and
18 administration fund to make loans available from the
19 state to municipalities to acquire, construct,
20 reconstruct, extend, equip, and improve works and
21 facilities useful for the collection, treatment, and
22 disposal of sewage and industrial waste in a sanitary
23 manner.

24 Sec. ____ . NEW SECTION. 455B.294 ESTABLISHMENT OF
25 THE IOWA SEWAGE TREATMENT WORKS FINANCING PROGRAM.

26 The Iowa sewage treatment works financing program
27 is established for the purpose of making loans
28 available to municipalities to finance all or part of
29 the costs of projects. The program shall be a joint
30 and cooperative undertaking of the department and the
31 authority. The department and the authority may enter
32 into and provide any agreements, documents,
33 instruments, certificates, data, or information
34 necessary in connection with the operation,
35 administration, and financing of the program
36 consistent with this part, the rules of the department
37 and the commission, the rules of the authority, and
38 state law.

39 Sec. ____ . NEW SECTION. 455B.295 FUNDS AND
40 ACCOUNTS.

41 1. Two separate funds are established in the state
42 treasury, to be known as the "sewage treatment works
43 revolving loan fund", and the "sewage treatment works
44 administration fund".

45 2. The revolving loan fund shall include sums
46 appropriated to the revolving loan fund by the general
47 assembly, sums allocated to the state expressly for
48 the purposes of establishing a revolving loan fund
49 under the Clean Water Act, all receipts by the
50 revolving loan fund, and any other sums designated for

1 deposit to the revolving loan fund from any public or
2 private source. All moneys appropriated to and
3 deposited in the revolving fund are appropriated and
4 shall be used for the sole purpose of making loans to
5 the municipalities to finance all or part of the cost
6 of projects. The moneys appropriated to and deposited
7 in the revolving loan fund shall not be used to pay
8 the nonfederal share of the cost of projects receiving
9 grants under the Clean Water Act. The moneys in the
10 revolving loan fund are not considered as a part of
11 the general fund of the state, are not subject to
12 appropriation for any other purpose by the general
13 assembly, and in determining a general fund balance
14 shall not be included in the general fund of the state
15 but shall remain in the revolving loan fund to be used
16 for its purposes. The revolving loan fund is a
17 dedicated fund under the administration and control of
18 the authority and subject to section 220.31. Moneys
19 on deposit in the revolving loan fund may be invested
20 at the direction of the authority, and the income from
21 the investments shall be credited to and deposited in
22 the revolving loan fund.

23 3. The sewage treatment works administration fund
24 shall include sums appropriated to the administration
25 fund by the general assembly, sums allocated to the
26 state for the express purposes of administering the
27 program authorized by the Clean Water Act, and all
28 receipts by the administration fund from any public or
29 private source. All moneys appropriated to and
30 deposited in the administration fund are appropriated
31 for and shall be used and administered by the
32 department to pay the costs and expenses associated
33 with the program, including administration of the
34 program, as may be determined by the department.

35 4. The department and the authority may establish
36 and maintain other funds or accounts determined to be
37 necessary to carry out the purposes of this part and
38 shall provide for the funding, administration,
39 investment, restrictions, and disposition of the funds
40 and accounts.

41 Sec. ____ . NEW SECTION. 455B.296 INTENDED USE
42 PLANS -- CAPITALIZATION GRANTS -- ACCOUNTING.

43 1. Each fiscal year beginning July 1, 1988, the
44 department may prepare and deliver intended use plans
45 and enter into capitalization grant agreements with
46 the administrator of the United States environmental
47 protection agency under the terms and conditions set
48 forth in Title VI of the Clean Water Act and federal
49 regulations adopted pursuant to the Act and may accept
50 capitalization grants for the revolving loan fund in

S-5264 Page 4

1 accordance with payment schedules established by the
2 administrator. All payments from the administrator
3 shall be deposited in the revolving loan fund.

4 2. The department and the authority shall
5 establish fiscal controls and accounting procedures
6 during appropriate accounting periods for payments and
7 disbursements received and made by the revolving loan
8 fund, the administration fund, and other funds
9 established pursuant to section 455B.295, subsection
10 4, and to fund balances at the beginning and end of
11 the accounting periods.

12 Sec. ____ . NEW SECTION. 455B.297 LOANS TO
13 MUNICIPALITIES.

14 Moneys deposited in the revolving loan fund shall
15 be used for the sole purpose of making loans to
16 municipalities to finance the cost of projects in
17 accordance with the intended use plans developed by
18 the department under section 455B.296. The
19 municipalities to which loans are to be made, the
20 purposes of the loan, the amount of each loan, the
21 interest rate of the loan, and the repayment terms of
22 the loan, shall be determined by the director, in
23 accordance with rules adopted by the commission, in
24 compliance with and subject to the terms and
25 conditions of Title VI of the Clean Water Act and any
26 resolution, agreement, indenture, or other document of
27 the authority, and rules adopted by the authority,
28 relating to any bonds, notes, or other obligations
29 issued for the program which may be applicable to the
30 loan.

31 Sec. ____ . NEW SECTION. 455B.298 POWERS AND
32 DUTIES OF THE DIRECTOR.

33 The director shall:

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

37 2. Approve loan applications of municipalities
38 which satisfy the rules adopted by the commission, and
39 the intended use plan developed by the department
40 under section 455B.296.

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

43 4. Prepare and process, in coordination with the
44 authority, documents relating to the extending of
45 loans to municipalities, the sale and issuance of
46 bonds, notes, or other obligations of the authority
47 relating to the program, and the administration of the
48 program.

49 5. Include in the budget prepared pursuant to
50 section 455A.4, subsection 1, paragraph c, an annual

1 budget for the administration of the program and the
2 use and disposition of amounts on deposit in the
3 administration fund.

4 6. Charge each municipality receiving a loan from
5 the revolving loan fund a loan origination fee and an
6 annual loan servicing fee. The amount of the loan
7 origination fees and the loan servicing fees
8 established shall be relative to the amount of a loan
9 made from the revolving loan fund. The director shall
10 deposit the receipts from the loan origination fees
11 and the loan servicing fees in the administration
12 fund.

13 7. Consult with and receive the approval of the
14 authority concerning the terms and conditions of loan
15 agreements with municipalities as to the financial
16 integrity of the loan.

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

20 Sec. ____ . NEW SECTION. 455B.299 ADOPTION OF
21 RULES.

22 The commission shall adopt rules pursuant to
23 chapter 17A appropriate for the administration of this
24 part.

25 Sec. ____ . NEW SECTION. 220.131 IOWA SEWAGE --
26 TREATMENT WORKS FINANCING PROGRAM -- DEFINITIONS --
27 FUNDING -- BONDS AND NOTES.

28 1. The authority shall cooperate with the
29 department of natural resources in the creation,
30 administration, and financing of the Iowa sewage
31 treatment works financing program established in
32 sections 455B.291 through 455B.299.

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

36 3. The authority may issue its bonds and notes for
37 the purpose of funding the revolving loan fund created
38 under section 455B.295 and defraying the costs of
39 payment of the twenty percent state matching funds
40 required for federal funds received for projects.

41 4. The authority may issue its bonds and notes for
42 the purposes established and may enter into one or
43 more lending agreements or purchase agreements with
44 one or more bondholders or noteholders containing the
45 terms and conditions of the repayment of and the
46 security for the bonds or notes. The authority and
47 the bondholders or noteholders or a trustee agent
48 designated by the authority may enter into agreements
49 to provide for any of the following:

50 a. That the proceeds of the bonds and notes and

1 the investments of the proceeds may be received, held,
2 and disbursed by the authority or by a trustee or
3 agent designated by the authority.

4 b. That the bondholders or noteholders or a
5 trustee or agent designated by the authority may
6 collect, invest, and apply the amount payable under
7 the loan agreements or any other instruments securing
8 the debt obligations under the loan agreements.

9 c. That the bondholders or noteholders may enforce
10 the remedies provided in the loan agreements or other
11 instruments on their own behalf without the
12 appointment or designation of a trustee. If there is
13 a default in the principal of or interest on the bonds
14 or notes or in the performance of any agreement
15 contained in the loan agreements or other instruments,
16 the payment or performance may be enforced in
17 accordance with the loan agreement or other
18 instrument.

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

21 5. The powers granted the authority under this
22 section are in addition to other powers contained in
23 this chapter. All other provisions of this chapter,
24 except section 220.28, subsection 4, apply to bonds or
25 notes issued and powers granted to the authority under
26 this section except to the extent they are
27 inconsistent with this section.

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

32 Sec. . NEW SECTION. 220.132 SECURITY --
33 RESERVE FUNDS -- PLEDGES -- NONLIABILITY --
34 IRREVOCABLE CONTRACTS.

35 1. The authority may provide in the resolution,
36 trust agreement, or other instrument authorizing the
37 issuance of its bonds or notes pursuant to section
38 220.131 that the principal of, premium, and interest
39 on the bonds or notes are payable from any of the
40 following and may pledge the same to its bonds and
41 notes:

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

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

49 c. The amounts on deposit in the revolving loan
50 fund.

1 d. The amounts payable to the department by
2 municipalities pursuant to loan agreements with
3 municipalities.

4 e. Any other funds or accounts established by the
5 authority in connection with the program or the sale
6 and issuance of its bonds or notes.

7 2. The authority may establish reserve funds, to
8 secure one or more issues of its bonds or notes. The
9 authority may deposit in a reserve fund established
10 under this subsection the proceeds of the sale of its
11 bonds or notes and other money which is made available
12 from any other source.

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

28 4. Neither the members of the authority nor
29 persons executing the bonds or notes are liable
30 personally on the bonds or notes or are subject to
31 personal liability or accountability by reason of the
32 issuance of the bonds or notes.

33 5. The bonds or notes issued by the authority are
34 not an indebtedness or other liability of the state or
35 of a political subdivision of the state within the
36 meaning of any constitutional or statutory debt
37 limitations but are special obligations of the
38 authority, and are payable solely from the income and
39 receipts or other funds or property of the department,
40 and the amounts on deposit in the revolving loan fund,
41 and the amounts payable to the department under its
42 loan agreements with the municipalities to the extent
43 that the amounts are designated in the resolution,
44 trust agreement, or other instrument of the authority
45 authorizing the issuance of the bonds or notes as
46 being available as security for such bonds or notes.
47 The authority shall not pledge the faith or credit of
48 the state or of a political subdivision of the state
49 to the payment of any bonds or notes. The issuance of
50 any bonds or notes by the authority does not directly,

1 indirectly, or contingently obligate the state or a
2 political subdivision of the state to apply money
3 from, or levy or pledge any form of taxation whatever
4 to the payment of the bonds or notes.

5 6. The state pledges to and agrees with the
6 holders of bonds or notes issued under the Iowa sewage
7 treatment works financing program, that the state will
8 not limit or alter the rights and powers vested in the
9 authority to fulfill the terms of a contract made by
10 the authority with respect to the bonds or notes, or
11 in any way impair the rights and remedies of the
12 holders until the bonds or notes, together with the
13 interest on them including interest on unpaid
14 installments of interest, and all costs and expenses
15 in connection with an action or proceeding by or on
16 behalf of the holders, are fully met and discharged.
17 The authority is authorized to include this pledge and
18 agreement of the state, as it refers to holders of
19 bonds or notes of the authority, in a contract with
20 the holders.

21 Sec. ____ . NEW SECTION. 220.133 ADOPTION OF
22 RULES.

23 The authority shall adopt rules pursuant to chapter
24 17A to implement sections 220.131 and 220.132.

25 Sec. ____ . Sections 1 through 8 of this Act are
26 effective July 1, 1988.

27 Sec. ____ . This Act, being deemed of immediate
28 importance takes effect upon enactment."

29 2. Title page, line 2, by striking the words "to
30 assist communities" and inserting the following: "and
31 a sewage treatment works financing program to assist
32 communities in financing sewage treatment projects
33 and".

34 3. Title page, line 4, by striking the word "the"
35 and inserting the following: "each".

S-5264

Filed March 8, 1988

Adopted 3/9/88

BY JIM RIORDAN

PAT DELUHERY

SENATE FILE 2092

S-5259

1 Amend Senate File 2092 as follows:

2 1. Page 2, line 20, by striking the words "health
3 care,".

4 2. Page 2, line 20, by inserting after the word
5 "adaptation," the following: "medical decision-
6 support systems,".

7 3. Page 3, line 13, by inserting after the word
8 "project," the following: "the accessibility to the
9 project by handicapped persons as defined in section
10 601E.1,".

S-5259

Filed March 8, 1988

Adopted 3/9/88

BY JAMES RIORDAN

SENATE FILE 2092
AS PASSED BY THE SENATE
FISCAL NOTE

REQUESTED BY REPRESENTATIVE DVORSKY

In compliance with a written request received March 11, 1988, a fiscal note for S.F. 2092 AS PASSED BY THE SENATE is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 2092 as passed by the Senate establishes two separate programs: the Community and Rural Development Loan Program and the Sewage Treatment Works Financing Program. Both are designed to provide loan assistance for the financing of local infrastructure, housing, and sewer treatment projects.

The Community and Rural Development Loan Program shall provide low and no interest loans for three types of projects: traditional infrastructure, new infrastructure and housing. Up to two and one-half cents of the first five cents of the cigarette tax, not to exceed \$5,000,000 in a fiscal year, shall be deposited in a revolving fund. The Finance Authority is authorized to issue up to \$15,000,000 in bonds and notes of which the proceeds shall be used to fund the Program. The bonds and notes shall be repaid from funds deposited in the revolving fund. General program criteria and applications shall be developed by the Department of Economic Development and the Finance Authority.

Of the funds available for the Program, 70% shall be allocated for traditional and new infrastructure projects and 30% shall be allocated for housing projects. Of the funds available for each type of project, at least 50% of the funds shall be set aside for cities with populations of 20,000 or less.

For all three types of projects, the interest rates on the loans shall be below the prevailing market rate. The loan applicants may be charged an administration fee, not to exceed one percent of the loan principal.

Traditional infrastructure projects include but are not limited to: sewer, water, roads, bridges, and airports. Cities and counties are eligible to apply for loan assistance. Applications shall be evaluated by staff of the Department of Economic Development.

New infrastructure projects include but are not limited to: communication systems, day care, technology transfer, medical decision-support systems, special transportation systems, and emergency medical services. Political subdivisions and nonprofit organizations are eligible to apply for loan assistance. Applications shall be evaluated by staff of the Department of Economic Development.

Housing projects include those projects which assist in meeting the housing needs of low and moderate income and elderly people. Cities, counties, housing agencies, or housing developers are eligible to apply for loan assistance. Applications shall be evaluated by the Iowa Finance Authority.

The Sewage Treatment Works Financing Program is established to provide loan assistance for the acquisition, construction, improvement, or rehabilitation of facilities used for the collection, treatment, and disposal of sewage and industrial waste, including treatment works as defined in the Federal Clean Water Act.

Page Two, Fiscal Note, Senate File 2092 as passed by the Senate

-2-

The Department of Natural Resources shall evaluate and approve loan applications. The loan interest rate and repayment terms shall be determined by the Department. Eligible applicants are cities, counties, sanitary districts, or other governmental bodies empowered to provide sewage collection and treatment services.

The Sewage Treatment Works Revolving Loan Fund is established to provide the loan assistance. The Iowa Finance Authority may issue bonds and notes of which the proceeds shall be deposited in the Fund to be used for loan assistance and to provide the 20% state matching funds required for projects which receive Federal funding through the Clean Water Act.

Federal funds allocated to the State in accordance with the Clean Water Act for establishing a revolving loan fund shall be deposited in the Fund. The Fund shall be administered by the Authority in cooperation with the Department of Natural Resources.

ASSUMPTIONS:

Community and Rural Development Loan Program (CRDLP):

- 1) For FY 1989 and 1990, the Iowa Finance Authority (IFA) shall issue bonds resulting in proceeds of \$15,000,000 to fund the CRDLP.
- 2) For FY 1989 and 1990, the State shall provide \$5,000,000 to fund the CRDLP. The \$5,000,000 shall be used as a subsidy to lower the interest rates of the loans made through the CRDLP.
- 3) For FY 1989 and 1990, the administration fee charged to CRDLP loan applicants shall be 1% of the value of loans.
- 4) For FY 1989 and 1990, the Iowa Department of Economic Development (IDED) shall require 2.0 FTE positions and support to administer the CRDLP. The IFA shall require 1.0 FTE position and support to administer the CRDLP.

Sewage Treatment Works Financing Program:

- 1) For FY 1989 and 1990, the Federal allocation of funds to the state under the Clean Water Act is estimated to be \$16,000,000 and shall be deposited in the Sewage Treatment Works Revolving Loan Fund.
- 2) For FY 1989 and 1990, the IFA shall issue bonds resulting in proceeds of \$3,200,000 to be deposited in the Sewage Treatment Revolving Loan Fund.
- 3) For FY 1989 and 1990, the IFA shall require 0.5 FTE position and support to administer the revolving loan fund.

Page Four, Fiscal Note, Senate File 2092 as passed by the Senate

-4-

Sources: Department of Economic Development, Department of Natural Resources,
and the Iowa Finance Authority. (JSB 7596S, CEN)

FILED MARCH 28, 1988

BY DENNIS PROUTY, FISCAL DIRECTOR

House Econ. Dev. 2/11 Failed to Pass 3/25 (p. 1082)
Amended for 5721 by Dr. Pass 3/25 (p. 1122)
Appropriations Dr. Pass 3/31 (p. 1295)

SENATE FILE 2092
BY COMMITTEE ON SMALL BUSINESS
AND ECONOMIC DEVELOPMENT

(AS AMENDED AND PASSED BY THE SENATE MARCH 9, 1988)

- _____ - New Language by the Senate
- * - Language Stricken by the Senate

Passed Senate, Date 4/11/88 (p. 1375) Passed House, Date 4/6/88 (p. 1452)
 Vote: Ayes 37 Nays 2 Vote: Ayes 97 Nays 2
 Approved May 11, 1988 *Stem Vetsed*

A BILL FOR

1 An Act establishing a community and rural development loan
 2 program and a sewage treatment works financing program to
 3 assist communities in financing sewage treatment projects and
 4 in financing traditional and new infrastructure and housing
 5 for needy and elderly, authorizing the Iowa finance authority
 6 to issue bonds and notes for the program, and providing an
 7 appropriation from a revolving fund to be used for each
 8 program.

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

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1 Section 1. NEW SECTION. 15.281 TITLE.

2 This part shall be known as the "Community and Rural
3 Development Loan Program".

4 Sec. 2. NEW SECTION. 15.282 PURPOSE.

5 The purpose of this part is to assist communities and rural
6 areas of the state with their development and governmental
7 responsibilities by providing low interest and no-interest
8 loans for traditional infrastructure, new infrastructure, and
9 housing.

10 Sec. 3. NEW SECTION. 15.283 PROGRAM.

11 The department shall establish a program to effectuate the
12 purposes of this part subject to the following guidelines:

13 1. General program criteria and applications are to be
14 developed by the finance division of the department in
15 conjunction with the Iowa finance authority, subject to
16 approval of the boards of the department and Iowa finance
17 authority.

18 2. The program shall provide for three categories of
19 assistance. These are the traditional infrastructure
20 category, the new infrastructure category, and the housing
21 category.

22 3. All moneys available for the traditional infrastructure
23 category and the new infrastructure category shall be
24 administered by the department. All moneys available for the
25 housing category shall be administered by the Iowa finance
26 authority.

27 4. Moneys available under this program shall be allocated
28 so that seventy percent of the moneys are for the traditional
29 and new infrastructure categories of which at least fifteen
30 percent of the moneys are for the new infrastructure category.
31 Thirty percent of the moneys shall be allocated for the
32 housing category. At least fifty percent of the moneys
33 allocated to each category shall be set aside for cities with
34 populations of twenty thousand or less. For purposes of this
35 set aside, any city located in a county with a population in

1 excess of three hundred thousand that is contiguous to another
2 municipality in the county and that municipality is contiguous
3 to the largest city in that county shall be considered as
4 having a population in excess of twenty thousand.

5 Sec. 4. NEW SECTION. 15.284 TRADITIONAL INFRASTRUCTURE.

6 1. The traditional infrastructure category contains
7 projects that include, but are not limited to, sewer, water,
8 roads, bridges, airports, and other projects described in
9 section 384.24, subsection 3.

10 2. Any Iowa city or county is eligible to apply for loans
11 from this category. Along with the application, the city or
12 county shall submit the following:

13 a. A needs assessment study.

14 b. A capital improvement program.

15 c. Evidence of matching contribution of at least twenty-
16 five percent of the total project cost.

17 3. Applications must be seeking funds to improve the
18 physical assets of the traditional infrastructure of the
19 political subdivision in aid of development.

20 4. The finance division of the department shall rank the
21 applicants according to financial need, cost-benefit of the
22 project, percent of match, impact, and ability to administer
23 project.

24 5. The interest rate shall be below the prevailing market
25 rate. The department may charge applicants an administration
26 fee, not to exceed one percent of the principal amount of the
27 loan, to be paid as a lump sum percent or a percent of the
28 interest rate.

29 6. The department may coordinate with the department of
30 natural resources to assist political subdivisions receiving
31 federal or other state aid for waste water treatment
32 facilities. However, the department shall not allocate more
33 than fifty percent of the moneys available to this category
34 for this purpose.

35 Sec. 5. NEW SECTION. 15.285 NEW INFRASTRUCTURE.

1 1. The new infrastructure category contains projects which
2 are services or processes that do not currently meet the
3 guidelines of standard public works projects. These include,
* 4 but are not limited to, communication systems, day care,
* 5 technology transfer adaptation, medical decision-support
6 systems, special transportation services, emergency medical
7 services, and other projects described in section 384.24,
8 subsection 4.

9 2. Any political subdivision, or nonprofit development
10 corporation, is eligible to apply for loans under this
11 category.

12 3. Along with the application, the following shall be
13 submitted:

- 14 a. A needs assessment study.
- 15 b. A capital improvement plan.
- 16 c. Evidence of a match of at least ten percent.

17 4. The finance division of the department shall rank the
18 applications according to the applicant's financial need,
19 cost-benefit of the project, current conditions or situations,
20 percent of private investment or contribution, and ability to
21 administer the project.

522 5. The interest rate shall be below the prevailing market
23 rate. The department may charge applicants an administration
24 fee, not to exceed one percent of the principal amount of the
25 loan, to be paid as a lump sum percent or a percent of the
26 interest rate.

27 Sec. 6. NEW SECTION. 15.286 HOUSING.

28 1. Any Iowa city, county, housing agency, or developer shall
29 be eligible to apply for loans under this category. Along
30 with the application the person shall submit the following:

- 31 a. A needs assessment for the area to be served.
- 32 b. A demographic documentation of the housing trend.
- 33 c. Evidence of a local commitment of at least twenty-five
34 percent.

523 2. Applicants must be seeking funds to assist in meeting

1 the area needs of low and moderate income, or elderly people,
2 in pursuit of decent housing.

3 3. The Iowa finance authority shall develop criteria to
4 award assistance based upon the applicant's financial need,
5 the cost-benefit of the project, the accessibility to the
6 project by handicapped persons as defined in section 601E.1,
7 percent of private investment, percent leveraged by other
8 programs, assessment of local housing situation, and ability
9 to administer the program.

10 4. Interest charged to applicants shall range from zero to
11 five percent. The Iowa finance authority may charge ap-
12 plicants an administration fee, not to exceed one percent of
13 the principal amount of the loan, to be paid as a lump sum
14 percent, or a percent of the interest rate.

15 Sec. 7. NEW SECTION. 15.287 REVOLVING FUND.

16 The Iowa finance authority shall establish a revolving fund
17 for the program and shall transfer to the department moneys to
18 be administered by the department. The moneys in the
19 revolving fund are appropriated for purposes of the program.
20 Notwithstanding section 8.33, moneys in the fund at the end of
21 a fiscal year shall not revert to any other fund but shall
22 remain in the revolving fund. The fund shall consist of all
23 appropriations, grants, or gifts received by the authority or
24 the department specifically for use under this part; revenues
25 designated in section 98.35 to be deposited in the fund; and
26 all repayments of loans made under this part.

27 Sec. 8. NEW SECTION. 15.288 LOCAL BONDS NOT REQUIRED --
28 INDEBTEDNESS LIMITATIONS.

29 A city, county, political subdivision, or other municipal
30 corporation shall not be required to issue its bonds to secure
31 loans under the community and rural development loan program.
32 It is the intent of the general assembly that loans received
33 by a city, county, political subdivision, or other municipal
34 corporation under the loan program shall not constitute an
35 indebtedness of that entity within the meaning of any state

1 constitutional provision or statutory limitation.

2 Sec. 9. Section 98.35, Code 1987, is amended to read as
3 follows:

4 98.35 TAX AND FEES PAID TO GENERAL FUND.

5 The proceeds derived from the sale of stamps and the
6 payment of taxes, fees and penalties provided for under this
7 chapter, and the permit fees received from all permits issued
8 by the department, shall be credited to the general fund of
9 the state, except as otherwise provided in this section. All
10 permit fees provided for in this chapter and collected by
11 cities in the issuance of permits granted by the cities shall
12 be paid to the treasurer of the city where the permit is
13 effective, or to another city officer as designated by the
14 council, and credited to the general fund of the city. Permit
15 fees so collected by counties shall be paid to the county
16 treasurer. Two and one-half cents of the first five cents
17 received from the sale of each stamp and the payment of the
18 tax on each pack of cigarettes or little cigars, not to exceed
19 five million dollars in a fiscal year, shall be deposited into
20 the revolving fund established by the Iowa finance authority
21 under section 15.287.

22 Sec. 10. NEW SECTION. 455B.291 DEFINITIONS.

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

25 1. "Authority" means the Iowa finance authority
26 established in section 220.2.

27 2. "Cost" means all costs, charges, expenses, or other
28 indebtedness incurred by a municipality and determined by the
29 director as reasonable and necessary for carrying out all
30 works and undertakings necessary or incidental to the
31 accomplishment of any project.

32 3. "Municipality" means the city, county, sanitary
33 district, or other governmental body or corporation empowered
34 to provide sewage collection and treatment services, or any
35 combination of two or more of such governmental bodies or

1 corporations acting jointly, in connection with a project.

2 4. "Project" means the acquisition, construction,
3 reconstruction, extension, equipping, improvement, or
4 rehabilitation of any works and facilities useful for the
5 collection, treatment, and disposal of sewage and industrial
6 waste in a sanitary manner including treatment works as
7 defined in section 212 of the Clean Water Act, or the
8 implementation and development of management programs
9 established under sections 319 and 320 of the Clean Water Act.

10 5. "Clean Water Act" means the federal Water Pollution
11 Control Act of 1972, Pub. L. No. 92-500, as amended by the
12 Water Quality Act of 1987, Pub. L. No. 100-4, as published in
13 33 U.S.C. §§ 1251-1376.

14 6. "Sewage treatment works revolving loan fund" or
15 "revolving loan fund" means the sewage treatment works
16 revolving loan fund established in section 455B.295.

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

20 8. "Program" means the Iowa sewage treatment works
21 financing program created pursuant to section 455B.294.

22 9. "Executive director" means the executive director of
23 the Iowa finance authority.

24 Sec. 11. NEW SECTION. 455B.292 FINDINGS.

25 The general assembly finds that the proper construction,
26 rehabilitation, operation, and maintenance of modern and
27 efficient sewer systems and wastewater treatment works are
28 essential to protecting and improving the state's water
29 quality; that protecting water quality is an issue of concern
30 to the citizens of the state; that in addition to protecting
31 and improving the state's water quality, adequate wastewater
32 treatment works are essential to economic growth and
33 development; that during the last several years the amount of
34 federal grant money available to states and local governments
35 for assistance in constructing and improving wastewater

1 treatment works has sharply diminished and will likely
2 continue to diminish; and that it is proper for the state to
3 encourage local governments to undertake wastewater treatment
4 projects through the establishment of a state mechanism to
5 provide loans at the lowest reasonable rates.

6 Sec. 12. NEW SECTION. 455B.293 POLICY.

7 It is the policy of the general assembly that it is in the
8 public interest to establish a sewage treatment works
9 financing program and a revolving loan fund and administration
10 fund to make loans available from the state to municipalities
11 to acquire, construct, reconstruct, extend, equip, and improve
12 works and facilities useful for the collection, treatment, and
13 disposal of sewage and industrial waste in a sanitary manner.

14 Sec. 13. NEW SECTION. 455B.294 ESTABLISHMENT OF THE IOWA
15 SEWAGE TREATMENT WORKS FINANCING PROGRAM.

16 The Iowa sewage treatment works financing program is
17 established for the purpose of making loans available to
18 municipalities to finance all or part of the costs of
19 projects. The program shall be a joint and cooperative
20 undertaking of the department and the authority. The
21 department and the authority may enter into and provide any
22 agreements, documents, instruments, certificates, data, or
23 information necessary in connection with the operation,
24 administration, and financing of the program consistent with
25 this part, the rules of the department and the commission, the
26 rules of the authority, and state law.

27 Sec. 14. NEW SECTION. 455B.295 FUNDS AND ACCOUNTS.

28 1. Two separate funds are established in the state
29 treasury, to be known as the "sewage treatment works revolving
30 loan fund", and the "sewage treatment works administration
31 fund".

32 2. The revolving loan fund shall include sums appropriated
33 to the revolving loan fund by the general assembly, sums
34 allocated to the state expressly for the purposes of
35 establishing a revolving loan fund under the Clean Water Act,

1 all receipts by the revolving loan fund, and any other sums
2 designated for deposit to the revolving loan fund from any
3 public or private source. All moneys appropriated to and
4 deposited in the revolving fund are appropriated and shall be
5 used for the sole purpose of making loans to the
6 municipalities to finance all or part of the cost of projects.
7 The moneys appropriated to and deposited in the revolving loan
8 fund shall not be used to pay the nonfederal share of the cost
9 of projects receiving grants under the Clean Water Act. The
10 moneys in the revolving loan fund are not considered as a part
11 of the general fund of the state, are not subject to
12 appropriation for any other purpose by the general assembly,
13 and in determining a general fund balance shall not be
14 included in the general fund of the state but shall remain in
15 the revolving loan fund to be used for its purposes. The
16 revolving loan fund is a dedicated fund under the
17 administration and control of the authority and subject to
18 section 220.31. Moneys on deposit in the revolving loan fund
19 may be invested at the direction of the authority, and the
20 income from the investments shall be credited to and deposited
21 in the revolving loan fund.

22 3. The sewage treatment works administration fund shall
23 include sums appropriated to the administration fund by the
24 general assembly, sums allocated to the state for the express
25 purposes of administering the program authorized by the Clean
26 Water Act, and all receipts by the administration fund from
27 any public or private source. All moneys appropriated to and
28 deposited in the administration fund are appropriated for and
29 shall be used and administered by the department to pay the
30 costs and expenses associated with the program, including
31 administration of the program, as may be determined by the
32 department.

33 4. The department and the authority may establish and
34 maintain other funds or accounts determined to be necessary to
35 carry out the purposes of this part and shall provide for the

1 funding, administration, investment, restrictions, and
2 disposition of the funds and accounts.

3 Sec. 15. NEW SECTION. 455B.296 INTENDED USE PLANS --
4 CAPITALIZATION GRANTS -- ACCOUNTING.

5 1. Each fiscal year beginning July 1, 1988, the department
6 may prepare and deliver intended use plans and enter into
7 capitalization grant agreements with the administrator of the
8 United States environmental protection agency under the terms
9 and conditions set forth in Title VI of the Clean Water Act
10 and federal regulations adopted pursuant to the Act and may
11 accept capitalization grants for the revolving loan fund in
12 accordance with payment schedules established by the
13 administrator. All payments from the administrator shall be
14 deposited in the revolving loan fund.

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

22 Sec. 16. NEW SECTION. 455B.297 LOANS TO MUNICIPALITIES.

23 Moneys deposited in the revolving loan fund shall be used
24 for the sole purpose of making loans to municipalities to
25 finance the cost of projects in accordance with the intended
26 use plans developed by the department under section 455B.296.
27 The municipalities to which loans are to be made, the purposes
28 of the loan, the amount of each loan, the interest rate of the
29 loan, and the repayment terms of the loan, shall be determined
30 by the director, in accordance with rules adopted by the
31 commission, in compliance with and subject to the terms and
32 conditions of Title VI of the Clean Water Act and any
33 resolution, agreement, indenture, or other document of the
34 authority, and rules adopted by the authority, relating to any
35 bonds, notes, or other obligations issued for the program

1 which may be applicable to the loan.

2 Sec. 17. NEW SECTION. 455B.298 POWERS AND DUTIES OF THE
3 DIRECTOR.

4 The director shall:

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

8 2. Approve loan applications of municipalities which
9 satisfy the rules adopted by the commission, and the intended
10 use plan developed by the department under section 455B.296.

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

13 4. Prepare and process, in coordination with the
14 authority, documents relating to the extending of loans to
15 municipalities, the sale and issuance of bonds, notes, or
16 other obligations of the authority relating to the program,
17 and the administration of the program.

18 5. Include in the budget prepared pursuant to section
19 455A.4, subsection 1, paragraph c, an annual budget for the
20 administration of the program and the use and disposition of
21 amounts on deposit in the administration fund.

22 6. Charge each municipality receiving a loan from the
23 revolving loan fund a loan origination fee and an annual loan
24 servicing fee. The amount of the loan origination fees and
25 the loan servicing fees established shall be relative to the
26 amount of a loan made from the revolving loan fund. The
27 director shall deposit the receipts from the loan origination
28 fees and the loan servicing fees in the administration fund.

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

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

34 Sec. 18. NEW SECTION. 455B.299 ADOPTION OF RULES.

35 The commission shall adopt rules pursuant to chapter 17A

1 appropriate for the administration of this part.

2 Sec. 19. NEW SECTION. 220.131 IOWA SEWAGE TREATMENT
3 WORKS FINANCING PROGRAM -- DEFINITIONS -- FUNDING -- BONDS AND
4 NOTES.

5 1. The authority shall cooperate with the department of
6 natural resources in the creation, administration, and
7 financing of the Iowa sewage treatment works financing program
8 established in sections 455B.291 through 455B.299.

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

12 3. The authority may issue its bonds and notes for the
13 purpose of funding the revolving loan fund created under
14 section 455B.295 and defraying the costs of payment of the
15 twenty percent state matching funds required for federal funds
16 received for projects.

17 4. The authority may issue its bonds and notes for the
18 purposes established and may enter into one or more lending
19 agreements or purchase agreements with one or more bondholders
20 or noteholders containing the terms and conditions of the
21 repayment of and the security for the bonds or notes. The
22 authority and the bondholders or noteholders or a trustee
23 agent designated by the authority may enter into agreements to
24 provide for any of the following:

25 a. That the proceeds of the bonds and notes and the
26 investments of the proceeds may be received, held, and
27 disbursed by the authority or by a trustee or agent designated
28 by the authority.

29 b. That the bondholders or noteholders or a trustee or
30 agent designated by the authority may collect, invest, and
31 apply the amount payable under the loan agreements or any
32 other instruments securing the debt obligations under the loan
33 agreements.

34 c. That the bondholders or noteholders may enforce the
35 remedies provided in the loan agreements or other instruments

1 on their own behalf without the appointment or designation of
2 a trustee. If there is a default in the principal of or
3 interest on the bonds or notes or in the performance of any
4 agreement contained in the loan agreements or other
5 instruments, the payment or performance may be enforced in
6 accordance with the loan agreement or other instrument.

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

9 5. The powers granted the authority under this section are
10 in addition to other powers contained in this chapter. All
11 other provisions of this chapter, except section 220.28,
12 subsection 4, apply to bonds or notes issued and powers
13 granted to the authority under this section except to the
14 extent they are inconsistent with this section.

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

19 Sec. 20. NEW SECTION. 220.132 SECURITY --RESERVE FUNDS -
20 -PLEDGES -- NONLIABILITY --IRREVOCABLE CONTRACTS.

21 1. The authority may provide in the resolution, trust
22 agreement, or other instrument authorizing the issuance of its
23 bonds or notes pursuant to section 220.131 that the principal
24 of, premium, and interest on the bonds or notes are payable
25 from any of the following and may pledge the same to its bonds
26 and notes:

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

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

32 c. The amounts on deposit in the revolving loan fund.

33 d. The amounts payable to the department by municipalities
34 pursuant to loan agreements with municipalities.

35 e. Any other funds or accounts established by the

1 authority in connection with the program or the sale and
2 issuance of its bonds or notes.

3 2. The authority may establish reserve funds, to secure
4 one or more issues of its bonds or notes. The authority may
5 deposit in a reserve fund established under this subsection
6 the proceeds of the sale of its bonds or notes and other money
7 which is made available from any other source.

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

22 4. Neither the members of the authority nor persons
23 executing the bonds or notes are liable personally on the
24 bonds or notes or are subject to personal liability or
25 accountability by reason of the issuance of the bonds or
26 notes.

27 5. The bonds or notes issued by the authority are not an
28 indebtedness or other liability of the state or of a political
29 subdivision of the state within the meaning of any
30 constitutional or statutory debt limitations but are special
31 obligations of the authority, and are payable solely from the
32 income and receipts or other funds or property of the
33 department, and the amounts on deposit in the revolving loan
34 fund, and the amounts payable to the department under its loan
35 agreements with the municipalities to the extent that the

1 amounts are designated in the resolution, trust agreement, or
2 other instrument of the authority authorizing the issuance of
3 the bonds or notes as being available as security for such
4 bonds or notes. The authority shall not pledge the faith or
5 credit of the state or of a political subdivision of the state
6 to the payment of any bonds or notes. The issuance of any
7 bonds or notes by the authority does not directly, indirectly,
8 or contingently obligate the state or a political subdivision
9 of the state to apply money from, or levy or pledge any form
10 of taxation whatever to the payment of the bonds or notes.

11 6. The state pledges to and agrees with the holders of
12 bonds or notes issued under the Iowa sewage treatment works
13 financing program, that the state will not limit or alter the
14 rights and powers vested in the authority to fulfill the terms
15 of a contract made by the authority with respect to the bonds
16 or notes, or in any way impair the rights and remedies of the
17 holders until the bonds or notes, together with the interest
18 on them including interest on unpaid installments of interest,
19 and all costs and expenses in connection with an action or
20 proceeding by or on behalf of the holders, are fully met and
21 discharged. The authority is authorized to include this
22 pledge and agreement of the state, as it refers to holders of
23 bonds or notes of the authority, in a contract with the
24 holders.

25 Sec. 21. NEW SECTION. 220.133 ADOPTION OF RULES.

26 The authority shall adopt rules pursuant to chapter 17A to
27 implement sections 220.131 and 220.132.

28 Sec. 22. NEW SECTION. 220.134 COMMUNITY AND RURAL
29 DEVELOPMENT LOAN PROGRAM.

30 The authority may exercise all of its powers contained in
31 this chapter, including but not limited to, the power to issue
32 bonds and notes, to implement and carry out the purposes of
33 the community and rural development loan program established
34 pursuant to sections 15.281 through 15.288. The authority
35 shall issue its bonds and notes for the loan program

1 consistent with the loan program and shall provide that the
2 bonds and notes shall be payable solely from moneys in the
3 revolving fund established pursuant to section 15.287. The
4 authority shall not issue more than fifteen million dollars in
5 bonds or notes in any one calendar year.

6 Sec. 23. Sections 1 through 7 and 9 of this Act are
7 effective July 1, 1988.

8 Sec. 24. This Act, being deemed of immediate importance
9 takes effect upon enactment.

10 SUCCESSOR TO SSB 2022 (LSB 7598IS)

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SENATE FILE 2092

H-5921

1 Amend Senate File 2092, as amended, passed, and re-
2 printed by the Senate, as follows:

3 1. Page 1, by striking lines 28 through 32 and
4 inserting the following: "so that at least fifty-five
5 percent of the moneys are for the traditional
6 infrastructure category, at least fifteen percent of
7 the moneys are for the new infrastructure category,
8 and thirty percent of the moneys are for the housing
9 category. If moneys allocated to the housing category
10 are not used or dedicated by January 1, of the fiscal
11 year, the moneys shall be reallocated to the other
12 categories that have the most need as determined by
13 the department. At least fifty percent of the
14 moneys".

15 2. Page 2, lines 24 and 25, by striking the words
16 "be below the prevailing market rate" and inserting
17 the following: "range from zero to five percent".

18 3. Page 3, lines 22 and 23, by striking the words
19 "be below the prevailing market rate" and inserting
20 the following: "range from zero to five percent".

21 4. Page 4, line 1, by striking the words ", or
22 elderly people,".

23 5. Page 4, line 2, by inserting after the word
24 "housing" the following: "or in meeting the purposes
25 of the housing trust fund program as described in
26 section 220.100, subsection 2".

27 6. Page 4, by inserting after line 2, the
28 following:

29 "_____. For purposes of this section:

30 a. "Low-income" means an amount less than or equal
31 to one hundred fifty percent of the then current
32 poverty level as published by the federal department
33 of health and human services in the federal register.

34 b. "Moderate-income" means an amount less than or
35 equal to three hundred percent of the then current
36 poverty level as published by the federal department
37 of health and human services in the federal register."

38 7. Page 4, line 3, by inserting after the figure
39 "3." the following: "a."

40 8. Page 4, by inserting after line 9 the
41 following:

42 "b. The Iowa finance authority shall give a
43 preference in the awarding of assistance to the
44 following:

45 (1) The assistance will be used to meet the
46 purposes of the housing trust fund program.

47 (2) The applicant is a nonprofit entity.

48 (3) Programs to assist low income and the
49 disadvantaged.

50 (4) A project that will qualify for the low-income

H-5921

Page 2

1 housing credit under section 42 of the Internal
2 Revenue Code.

3 (5) A project that will not otherwise qualify for
4 the low-income housing credit but will provide an
5 income mix of the residents as described in section
6 42(g)(1)(A) or (B) of the Internal Revenue Code."

7 9. Page 5, line 16, by striking the word "Two"
8 and inserting the following: "One".

9 10. Page 5, line 19, by striking the word "five"
10 and inserting the following: "three".

11 11. Page 5, line 21, by inserting after the
12 figure "15.287." the following: "Deposits under this
13 section to the revolving fund in section 15.287 shall
14 not be made during a fiscal year for which an
15 appropriation from other sources to the revolving fund
16 has been made. However, if the amount of such
17 appropriations does not equal three million dollars or
18 has to be reduced below that amount for any reason,
19 deposits under this section shall be made to the
20 extent that the amount appropriated, less any
21 reduction, is less than three million dollars."

22 12. Page 8, line 19, by striking after the word
23 "authority" the following: "treasurer of state".

24 13. Page 11, by inserting after line 1 the
25 following:

26 "Sec. ____ . Section 220.100, subsection 7, Code
27 Supplement 1987, is amended by striking the
28 subsection."

29 14. Title page, line 8, by inserting after the
30 word "program" the following: ", and providing
31 effective dates".

By COMMITTEE ON ECONOMIC DEVELOPMENT
CONNOLLY of Dubuque, Chairperson

H-5921 FILED MARCH 28, 1988

Adopted as amended by 177-6220-46 (p. 14)

SENATE FILE 2092

H-6047

1 Amend the committee amendment, H-5921, to Senate
2 File 2092, as amended, passed, and reprinted by the
3 Senate as follows:

4 1. Page 1, line 13, by striking the words "fifty
5 percent" and inserting the following: "one-third".

6 2. Page 1, by inserting after line 14 the
7 following:

8 "____. Page 1, line 34, by striking the word
9 "twenty" and inserting the following: "five"."

By HANSON of Delaware

BEAMAN of Clarke

CLARK of Cerro Gordo

McKEAN of Jones

STROMER of Hancock

JAY of Appanoose

H-6047 FILED MARCH 29, 1988

Adopted 4/6 (p. 14)

SENATE FILE 2092

H-6106

1 Amend Senate File 2092 as amended, passed, and
2 reprinted by the Senate, as follows:
3 1. Page 3, by striking lines 5 and 6.
4 2. Page 3, line 7, by striking the word
5 "services,".

H-6106 FILED MARCH 30, 1988 BY METCALF of Polk

*Adopted 4/6 (by 1450)
Sponsored by Sen. [unclear]*

SENATE FILE 2092

H-6122

1 Amend the Committee amendment, H-5921, to Senate
2 File 2092, as amended, passed, and reprinted by the
3 Senate, as follows:
4 1. Page 1, by inserting after line 2 the
5 following:
6 "_____. Page 1, lines 8 and 9, by striking the
7 words "_____, new infrastructure, and housing" and
8 inserting the following: "and new infrastructure".
9 _____ Page 1, line 18, by striking the word
10 "three" and inserting the following: "two".
11 _____ Page 1, by striking line 20 and inserting
12 the following: "category and new infrastructure".
13 _____ Page 1, by striking lines 24 through 26 and
14 inserting the following: "administered by the
15 department."
16 2. Page 1, line 6, by striking the word
17 "category," and inserting the following: "category
18 and".
19 3. Page 1, line 7, by striking the word
20 "category," and inserting the following: "category."
21 4. Page 1, by striking lines 8 through 13 and
22 inserting the following: "At least fifty percent of
23 the".
24 5. By striking page 1, line 21 through page 2,
25 line 6 and inserting the following:
26 "_____. By striking page 3, line 27 through page 4,
27 line 14."
28 6. Page 2, by inserting after line 28 the
29 following:
30 "_____. Title page, lines 4 and 5, by striking the
31 words "and housing for needy and elderly"."

H-6122 FILED MARCH 30, 1988 BY METCALF of Polk

*Adopted 4/6 (by 1450)
Sponsored by Sen. [unclear]*

SENATE FILE 2092

H-6151

1 Amend Senate File 2092, as amended, passed, and
 2 reprinted by the Senate, as follows:
 3 1. Page 15, by inserting after line 5 the
 4 following:
 5 "Sec. ____ . Section 358.20, unnumbered paragraph 1,
 6 Code Supplement 1987, is amended to read as follows:
 7 Any sanitary district may by ordinance establish
 8 just and equitable rates or charges or rentals for the
 9 utilities and services furnished by it to be paid to
 10 such the district by every person, firm, or
 11 corporation whose premises are served by a connection
 12 to such the utilities and services directly or
 13 indirectly. Such the rates, charges, or rentals, as
 14 near as may be in the judgment of the board of
 15 trustees of the district, shall be equitable and in
 16 proportion to the services rendered and the cost
 17 thereof of the services, and taking into consideration
 18 in-the-case-of for each such of the premises, the
 19 quantity of sewage produced thereby and its
 20 concentration, strength, and pollution qualities. The
 21 board of trustees may change such the rates, charges,
 22 or rentals from time to time as it may deem advisable,
 23 and by ordinance may provide for the collection
 24 thereof of the rates, charges, or rentals. The board
 25 is-authorized-to may contract with any municipality
 26 within the district, whereby such the municipality may
 27 collect or assist in collecting any of such the rates,
 28 charges, or rentals, whether in conjunction with water
 29 rentals or otherwise, and any such municipality is
 30 hereby-empowered-to may undertake such the collection
 31 and render such the service. Such The rates, charges,
 32 or rentals, if not paid when due, shall constitute a
 33 lien upon the property served by a connection as
 34 aforsaid and shall be collected in the same manner as
 35 other taxes. Assessments for delinquent sewer charges
 36 have equal precedence with ordinary taxes and are not
 37 divested by judicial sale."

By CRUHN of Dickinson

H-6151 FILED MARCH 31, 1988

Revised not approved 4/2/88 (4151)

SENATE FILE 2092

H-6152

1 Amend Senate File 2092, as amended, passed and
 2 reprinted by the Senate as follows:
 3 1. Title page, line 8, by inserting after the
 4 word "program" the following: "and providing an
 5 effective date".

By PARKER of Jasper

H-6152 FILED MARCH 31, 1988

Revised 4/2/88 (4152)

SENATE FILE 2092

H-6165

- 1 Amend Senate File 2092, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 3, line 6, by inserting after the word
- 4 "services," the following: "physical improvements
- 5 under town square and main street programs, physical
- 6 improvements to historic, art, and cultural sites and
- 7 attractions,".

By SWARTZ of Marshall
HALVORSON of Clayton

H-6165 FILED APRIL 4, 1988

Adopted 4/6 (7-1449)
Placed on back in order (7-1449)

SENATE FILE 2092

H-6220

- 1 Amend the Committee amendment, H-5921, to Senate
- 2 File 2092, as amended, passed, and reprinted by the
- 3 Senate, as follows:
- 4 1. Page 2, by striking lines 22 and 23 and
- 5 inserting the following:
- 6 "___". Page 8, line 19, by striking the words "may
- 7 be invested at the direction of" and inserting the
- 8 following: "shall be invested by the treasurer of
- 9 state in cooperation with".

By DVORSKY of Johnson

H-6220 FILED APRIL 5, 1988

Adopted 4/6 (7-1449)

SENATE FILE 2092

H-6177

1 Amend the Committee amendment, H-5921, to Senate
2 File 2092, as amended, passed, and reprinted by the
3 Senate, as follows:

4 1. Page 2, line 10, by striking the word "three"
5 and inserting the following: "four".

6 2. Page 2, line 17, by striking the word "three"
7 and inserting the following: "four".

8 3. Page 2, line 21, by striking the word "three"
9 and inserting the following: "four".

By PARKER of Jasper
HALVORSON of Webster

H-6177 FILED APRIL 4, 1988

Accepted 4/6 (p. 1447)

SENATE FILE 2092

H-6188

1 Amend the Committee amendment, H-5921, to Senate
2 File 2092, as amended, passed and reprinted by the
3 Senate, as follows:

4 1. Page 1, by inserting after line 2 the
5 following:

6 "____. Page 1, line 8, by striking the words "
7 new infrastructure,".

8 _____. Page 1, line 18, by striking the word
9 "three" and inserting the following: "two".

10 _____. Page 1, line 20, by striking the words "
11 the new infrastructure category,".

12 _____. Page 1, line 23, by striking the words "and
13 the new infrastructure category".

14 2. Page 1, by striking lines 6 and 7 and
15 inserting the following: "infrastructure category".

16 3. Page 1, by striking line 12 and inserting the
17 following: "category as determined by".

18 4. Page 1, by striking lines 18 through 20 and
19 inserting the following:

20 "____. By striking page 2, line 35 through page 3,
21 line 26."

22 5. Page 2, by inserting after line 28 the
23 following:

24 "____. Title page, line 4, by striking the words
25 "and new".

By BENNETT of Ida

H-6188 FILED APRIL 4, 1988

Loos 4/6 (p. 1447)

HOUSE AMENDMENT TO
SENATE FILE 2092

S-5837

1 Amend Senate File 2092, as amended, passed, and re-
2 printed by the Senate, as follows:

3 1. Page 1, by striking lines 28 through 32 and
4 inserting the following: "so that at least fifty-five
5 percent of the moneys are for the traditional
6 infrastructure category, at least fifteen percent of
7 the moneys are for the new infrastructure category,
8 and thirty percent of the moneys are for the housing
9 category. If moneys allocated to the housing category
10 are not used or dedicated by January 1, of the fiscal
11 year, the moneys shall be reallocated to the other
12 categories that have the most need as determined by
13 the department. At least one-third of the moneys".

14 2. Page 1, line 34, by striking the word "twenty"
15 and inserting the following: "five".

16 3. Page 2, lines 24 and 25, by striking the words
17 "be below the prevailing market rate" and inserting
18 the following: "range from zero to five percent".

19 4. Page 3, line 6, by inserting after the word
20 "services," the following: "physical improvements
21 under town square and main street programs, physical
22 improvements to historic, art, and cultural sites and
23 attractions,".

24 5. Page 3, lines 22 and 23, by striking the words
25 "be below the prevailing market rate" and inserting
26 the following: "range from zero to five percent".

27 6. Page 4, line 1, by striking the words ", or
28 elderly people,".

29 7. Page 4, line 2, by inserting after the word
30 "housing" the following: "or in meeting the purposes
31 of the housing trust fund program as described in
32 section 220.100, subsection 2".

33 8. Page 4, by inserting after line 2, the
34 following:

35 "_____. For purposes of this section:

36 a. "Low-income" means an amount less than or equal
37 to one hundred fifty percent of the then current
38 poverty level as published by the federal department
39 of health and human services in the federal register.

40 b. "Moderate-income" means an amount less than or
41 equal to three hundred percent of the then current
42 poverty level as published by the federal department
43 of health and human services in the federal register."

44 9. Page 4, line 3, by inserting after the figure
45 "3." the following: "a."

46 10. Page 4; by inserting after line 9 the
47 following:

48 "b. The Iowa finance authority shall give a
49 preference in the awarding of assistance to the
50 following:

S 3837 Page 2

1 (1) The assistance will be used to meet the
2 purposes of the housing trust fund program.

3 (2) The applicant is a nonprofit entity.

4 (3) Programs to assist low income and the
5 disadvantaged.

6 (4) A project that will qualify for the low-income
7 housing credit under section 42 of the Internal
8 Revenue Code.

9 (5) A project that will not otherwise qualify for
10 the low-income housing credit but will provide an
11 income mix of the residents as described in section
12 42(g)(1)(A) or (B) of the Internal Revenue Code."

13 11. Page 5, line 16, by striking the word "Two"
14 and inserting the following: "One".

15 12. Page 5, line 19, by striking the word "five"
16 and inserting the following: "four".

17 13. Page 5, line 21, by inserting after the
18 figure "15.287." the following: "Deposits under this
19 section to the revolving fund in section 15.287 shall
20 not be made during a fiscal year for which an
21 appropriation from other sources to the revolving fund
22 has been made. However, if the amount of such
23 appropriations does not equal four million dollars or
24 has to be reduced below that amount for any reason,
25 deposits under this section shall be made to the
26 extent that the amount appropriated, less any
27 reduction, is less than four million dollars."

28 14. Page 8, line 19, by striking the words "may
29 be invested at the direction of" and inserting the
30 following: "shall be invested by the treasurer of
31 state in cooperation with".

32 15. Page 11, by inserting after line 1 the
33 following:

34 "Sec. ____ . Section 220.100, subsection 7, Code
35 Supplement 1987, is amended by striking the
36 subsection."

37 16. Title page, line 8, by inserting after the
38 word "program" the following: ", and providing
39 effective dates".

40 17. By renumbering, relettering, or redesignating
41 and correcting internal references as necessary.

S-3837

Filed April 7, 1988

Senate Document 4/11 (S-1595)

RECEIVED FROM THE HOUSE

SSB 2022

SMALL BUSINESS AND ECONOMIC DEVELOPMENT: Riordan, Chair;
Boswell and Rife

Handwritten initials

209.2

BY ~~(FROM)~~ RURAL DEVELOPMENT
STUDY COMMITTEE BILL)

Passed House, Date _____ Passed Senate, Date _____

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

Approved _____

A BILL FOR

1 An Act establishing a community and rural development loan
2 program to assist communities in financing traditional and new
3 infrastructure and housing for needy and elderly and providing
4 for a revolving fund to be used for the program.

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

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1 Section 1. NEW SECTION. 15.281 TITLE.

2 This part shall be known as the "Community and Rural
3 Development Loan Program".

4 Sec. 2. NEW SECTION. 15.282 PURPOSE.

5 The purpose of this part is to assist communities and rural
6 areas of the state with their development and governmental
7 responsibilities by providing low interest and no-interest
8 loans for traditional infrastructure, new infrastructure, and
9 housing.

10 Sec. 3. NEW SECTION. 15.283 PROGRAM.

11 The department shall establish a program to effectuate the
12 purposes of this part subject to the following guidelines:

13 1. Program criteria and applications are to be developed
14 by the finance division of the department in conjunction with
15 the Iowa finance authority, subject to approval of the boards
16 of the department and Iowa finance authority.

17 2. All funds available for the program shall be handled by
18 the Iowa finance authority.

19 3. The program shall provide for three categories of
20 assistance. These are the traditional infrastructure
21 category, the new infrastructure category, and the housing
22 category.

23 4. Moneys allocated to the pursuit of this program shall
24 be divided evenly among all categories. If funds allocated to
25 one category are not used or dedicated by the end of the
26 fiscal year, the funds shall be reallocated to the categories
27 that have the most need as determined by the department and
28 the Iowa finance authority.

29 Sec. 4. NEW SECTION. 15.284 TRADITIONAL INFRASTRUCTURE.

30 1. The traditional infrastructure category contains
31 projects that include, but are not limited to, sewer, water,
32 roads, bridges, and airports.

33 2. Any Iowa city or county is eligible to apply for loans
34 from this category. Along with the application, the city or
35 county shall submit the following:

- 1 a. A needs assessment study.
- 2 b. A capital improvement program.
- 3 c. Evidence of matching contribution of at least twenty-
- 4 five percent.

5 3. Applications must be seeking funds to improve the
6 physical assets of the traditional infrastructure of the
7 political subdivision in aid of development.

8 4. The finance division of the department shall rank the
9 applicants according to financial need, cost-benefit of the
10 project, percent of match, impact, and ability to administer
11 project.

12 5. The interest rate shall range from zero to five
13 percent. The department may charge up to a one percent
14 administration fee.

15 Sec. 5. NEW SECTION. 15.285 NEW INFRASTRUCTURE.

16 1. The new infrastructure category contains projects which
17 are services or processes that do not currently meet the
18 guidelines of standard public works projects. These include,
19 but are not limited to, communication systems, day care,
20 health care, technology transfer adaptation, and special
21 transportation services.

22 2. Any political subdivision, or nonprofit development
23 corporation, is eligible to apply for loans under this
24 category.

25 3. Along with the application, the following shall be
26 submitted:

- 27 a. A needs assessment study.
- 28 b. A capital improvement plan.
- 29 c. Evidence of a match of at least ten percent.

30 4. The finance division of the department shall rank the
31 applications according to the applicant's financial need,
32 cost-benefit of the project, current conditions or situations,
33 percent of private investment or contribution, and ability to
34 administer the project.

35 Sec. 6. NEW SECTION. 15.286 HOUSING.

1 Any Iowa city, county, housing agency, or developer shall
2 be eligible to apply for loans under this category. Along
3 with the application the person shall submit the following:

- 4 a. A needs assessment for the area to be served.
- 5 b. A demographic documentation of the housing trend.
- 6 c. Evidence of a local commitment of at least twenty-five
7 percent.

8 2. Applicants must be seeking funds to assist in meeting
9 the area needs of low and moderate income, or elderly people,
10 in pursuit of decent housing.

11 3. The Iowa finance authority shall develop criteria to
12 award assistance based upon the applicant's financial need,
13 the cost-benefit of the project, percent of private
14 investment, percent leveraged by other programs, assessment of
15 local housing situation, and ability to administer the
16 program.

17 4. Interest charged to applicants shall range from zero to
18 five percent. The Iowa finance authority may charge ap-
19 plicants an administration fee to be paid as a lump sum per-
20 cent, or a percent of the interest rate.

21 Sec. 7. NEW SECTION. 15.287 REVOLVING FUND.

22 The Iowa finance authority shall establish a revolving fund
23 for the program. The fund shall consist of all
24 appropriations, grants, or gifts received by the authority or
25 the department specifically for use under this part; revenues
26 designated in section 98.35 to be deposited in the fund; and
27 all repayments of loans made under this part.

28 Sec. 8. Section 98.35, Code 1987, is amended to read as
29 follows:

30 98.35 TAX AND FEES PAID TO GENERAL FUND.

31 The proceeds derived from the sale of stamps and the
32 payment of taxes, fees and penalties provided for under this
33 chapter, and the permit fees received from all permits issued
34 by the department, shall be credited to the general fund of
35 the state, except as otherwise provided in this section. All

1 permit fees provided for in this chapter and collected by
2 cities in the issuance of permits granted by the cities shall
3 be paid to the treasurer of the city where the permit is
4 effective, or to another city officer as designated by the
5 council, and credited to the general fund of the city. Permit
6 fees so collected by counties shall be paid to the county
7 treasurer. Two and one-half cents of the first five cents
8 received from the sale of each stamp and the payment of the
9 tax on each pack of cigarettes or little cigars shall be
10 deposited into the revolving fund established by the Iowa
11 finance authority under section 15.287.

12 EXPLANATION

13 The bill establishes a community and rural development loan
14 program to be administered by the finance division of the
15 department of economic development and the Iowa finance
16 authority. The program is established to provide low interest
17 loans to aid communities in maintaining or constructing
18 traditional infrastructure such as sewer, water, roads and
19 bridges; new infrastructure such as communications systems,
20 technology access or transfer, health care, and day care; and
21 housing for the low or moderate income and elderly. A
22 revolving fund is established and two and one-half cents of
23 the first five cents of tax received from the cigarette tax on
24 each pack of cigarettes is deposited in the fund.

25 COMPANION TO LSB 7673IS

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OFFICE OF THE GOVERNOR

STATE CAPITOL

DES MOINES, IOWA 50319

515 281-5211

TERRY E. BRANSTAD
GOVERNOR

May 11, 1988

The Honorable Elaine Baxter
Secretary of State
State Capitol Building
L O C A L

Dear Madam Secretary:

I hereby transmit Senate File 2092 an act establishing a community and rural development loan program and a sewage treatment works financing program to assist communities in financing sewage treatment projects and in financing traditional and new infrastructure and housing for needy and elderly, authorizing the Iowa Finance Authority to issue bonds and notes for the program, and providing an appropriation from a revolving fund to be used for each program, and providing effective dates.

Senate File 2092, the so-called rural development financing bill contains many positive features which I am approving. Specifically, this bill would allow the Department of Economic Development to establish a low interest loan revolving fund to aid small communities in rural development projects. The Governor's Rural Development Task Force report of last summer indicated the need for the state to provide targeted financial assistance to small communities in the area of traditional infrastructure, new infrastructure, and housing. Clearly, the maintenance of sewers, water, road, bridges and airports is critical to the economic vitality of small communities. In addition, I understand the need for so-called new infrastructure services -- communications systems, day care, and technology transfer -- in order to support economic diversity in our smaller communities. And, in many small communities the availability of housing is a critical component of economic development efforts.

I believe state financial assistance to communities in these areas will do much to assist us to implement our rural development strategy.

The Honorable Elaine Baxter
May 11, 1988
Page 2

However, Senate File 2092 also contains two fiscally unsound and unworkable provisions which are not approved.

I am unable to approve the item designated as Section 9 in its entirety.

This section of the bill diverts one and one-half cents of the state's cigarette tax to the community development revolving loan fund. Apparently, this \$4 million is to be used by the Iowa Finance Authority to back up to \$15 million worth of bonds to be issued per year for the purposes specified in the act.

I cannot approve this item because it sets a bad precedent by diverting general fund dollars for debt service. While I understand that these funds will not be utilized unless the legislature does not make a specific appropriation to provide for the debt service, I believe this provision could put the state in a fiscal straitjacket by tying up portions of state general fund revenue sources to pay off bonds. It is fiscally unwise in the long term to be dedicating a portion of our general fund tax revenues for bonding.

The general fund is just now beginning to be restored to reasonable fiscal health and diverting significant revenue sources from the general fund into debt service would restrict the state's ability to respond to financial emergencies in the future and limit our ability to return the state to a sound fiscal condition.

Moreover, the use of general funds dollars for debt service raises serious constitutional questions, given the constitutional prohibition on state indebtedness.

I am unable to approve the Section designated as Section 23 in its entirety.

This section of Senate File 2092 authorizes the Iowa Finance Authority to issue bonds to capitalize the community and rural development loan program. The Iowa Finance Authority is authorized to issue up to \$15 million of bonds under this provision in any one calendar year. This provision is simply unworkable and could jeopardize the entire community and rural development loan program. It would put the state too far in debt at too high a cost.

The Honorable Elaine Baxter
May 11, 1988
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First, sufficient funds are not provided to service up to \$15 million per year of debt. In fact, due to the fact that loans are required to be made from these funds at a zero to five percent interest rate, it is anticipated that up to \$14 million may have to be used over the life of each \$15 million bond issue just to buy-down the interest rate. And, it is anticipated that one-third to one-half of each year's available appropriations would have to be used to buy-down the interest rate to the five percent maximum allowed.

Secondly, this provision would put the state too far in debt. Indeed, each \$15 million of debt would require up to \$43 million worth of debt service. This could financially hamstring the state and prevent us from having the financial flexibility to react to changing needs in the future.

And finally, this item in Senate File 2092 does not put an overall limit on the amount of bonds that could be issued under this section. The \$15 million limit is for each calendar year. Conceivably IFA would be authorized to issue \$15 million each and every subsequent year. Clearly, if that were to be done, the one and one-half cent cigarette tax diversion which is to be used to service these bonds would be woefully inadequate. As a result, the state would be forced to dedicate a larger and larger portion of its cigarette tax revenues for debt service.

In short, I believe that the community and rural development loan program can work effectively to provide essential infrastructure and housing services to small communities through a zero to five percent revolving loan fund. This approach was successfully achieved in the community revolving loan program established in 1983. However, it is simply unworkable and fiscally unwise to require the authority to issue bonds to capitalize the fund. Moreover, given the dubious financial feasibility of these bonds the authority had not planned on making use of the bonding authority included in Senate File 2092 in the near term in any event.

For the above reasons, I hereby respectfully disapprove these items in accordance with Amendment IV of the Amendments of the 1968 Constitution of the State of Iowa. All other items in Senate File 2092 are hereby approved as of this date.

Sincerely,



Terry E. Branstad
Governor

TEB:cd

cc: Secretary of the Senate
Chief Clerk of the House

SENATE FILE 2092

AN ACT

ESTABLISHING A COMMUNITY AND RURAL DEVELOPMENT LOAN PROGRAM AND A SEWAGE TREATMENT WORKS FINANCING PROGRAM TO ASSIST COMMUNITIES IN FINANCING SEWAGE TREATMENT PROJECTS AND IN FINANCING TRADITIONAL AND NEW INFRASTRUCTURE AND HOUSING FOR NEEDY AND ELDERLY, AUTHORIZING THE IOWA FINANCE AUTHORITY TO ISSUE BONDS AND NOTES FOR THE PROGRAM, AND PROVIDING AN APPROPRIATION FROM A REVOLVING FUND TO BE USED FOR EACH PROGRAM, AND PROVIDING EFFECTIVE DATES.

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

Section 1. NEW SECTION. 15.281 TITLE.

This part shall be known as the "Community and Rural Development Loan Program".

Sec. 2. NEW SECTION. 15.282 PURPOSE.

The purpose of this part is to assist communities and rural areas of the state with their development and governmental responsibilities by providing low interest and no-interest loans for traditional infrastructure, new infrastructure, and housing.

Sec. 3. NEW SECTION. 15.283 PROGRAM.

The department shall establish a program to effectuate the purposes of this part subject to the following guidelines:

1. General program criteria and applications are to be developed by the finance division of the department in conjunction with the Iowa finance authority, subject to approval of the boards of the department and Iowa finance authority.

2. The program shall provide for three categories of assistance. These are the traditional infrastructure category, the new infrastructure category, and the housing category.

3. All moneys available for the traditional infrastructure category and the new infrastructure category shall be administered by the department. All moneys available for the housing category shall be administered by the Iowa finance authority.

4. Moneys available under this program shall be allocated so that at least fifty-five percent of the moneys are for the traditional infrastructure category, at least fifteen percent of the moneys are for the new infrastructure category, and thirty percent of the moneys are for the housing category. If moneys allocated to the housing category are not used or dedicated by January 1, of the fiscal year, the moneys shall be reallocated to the other categories that have the most need as determined by the department. At least one-third of the moneys allocated to each category shall be set aside for cities with populations of five thousand or less. For purposes of this set aside, any city located in a county with a population in excess of three hundred thousand that is contiguous to another municipality in the county and that municipality is contiguous to the largest city in that county shall be considered as having a population in excess of twenty thousand.

Sec. 4. NEW SECTION. 15.284 TRADITIONAL INFRASTRUCTURE.

1. The traditional infrastructure category contains projects that include, but are not limited to, sewer, water, roads, bridges, airports, and other projects described in section 384.24, subsection 3.

2. Any Iowa city or county is eligible to apply for loans from this category. Along with the application, the city or county shall submit the following:

- a. A needs assessment study.
- b. A capital improvement program.
- c. Evidence of matching contribution of at least twenty-five percent of the total project cost.

3. Applications must be seeking funds to improve the physical assets of the traditional infrastructure of the political subdivision in aid of development.

Item Veto: Sections 9 & 13

4. The finance division of the department shall rank the applicants according to financial need, cost-benefit of the project, percent of match, impact, and ability to administer project.

5. The interest rate shall range from zero to five percent. The department may charge applicants an administration fee, not to exceed one percent of the principal amount of the loan, to be paid as a lump sum percent or a percent of the interest rate.

6. The department may coordinate with the department of natural resources to assist political subdivisions receiving federal or other state aid for waste water treatment facilities. However, the department shall not allocate more than fifty percent of the moneys available to this category for this purpose.

Sec. 5. NEW SECTION. 15.285 NEW INFRASTRUCTURE.

1. The new infrastructure category contains projects which are services or processes that do not currently meet the guidelines of standard public works projects. These include, but are not limited to, communication systems, day care, technology transfer adaptation, medical decision-support systems, special transportation services, physical improvements under town square and main street programs, physical improvements to historic, art, and cultural sites and attractions, emergency medical services, and other projects described in section 384.24, subsection 4.

2. Any political subdivision, or nonprofit development corporation, is eligible to apply for loans under this category.

3. Along with the application, the following shall be submitted:

- a. A needs assessment study.
- b. A capital improvement plan.
- c. Evidence of a match of at least ten percent.

4. The finance division of the department shall rank the applications according to the applicant's financial need,

cost-benefit of the project, current conditions or situations, percent of private investment or contribution, and ability to administer the project.

5. The interest rate shall range from zero to five percent. The department may charge applicants an administration fee, not to exceed one percent of the principal amount of the loan, to be paid as a lump sum percent or a percent of the interest rate.

Sec. 6. NEW SECTION. 15.286 HOUSING.

1. Any Iowa city, county, housing agency, or developer shall be eligible to apply for loans under this category. Along with the application the person shall submit the following:

- a. A needs assessment for the area to be served.
- b. A demographic documentation of the housing trend.
- c. Evidence of a local commitment of at least twenty-five percent.

2. Applicants must be seeking funds to assist in meeting the area needs of low and moderate income in pursuit of decent housing or in meeting the purposes of the housing trust fund program as described in section 220.100, subsection 2.

3. For purposes of this section:

- a. "Low-income" means an amount less than or equal to one hundred fifty percent of the then current poverty level as published by the federal department of health and human services in the federal register.
- b. "Moderate-income" means an amount less than or equal to three hundred percent of the then current poverty level as published by the federal department of health and human services in the federal register.

4. a. The Iowa finance authority shall develop criteria to award assistance based upon the applicant's financial need, the cost-benefit of the project, the accessibility to the project by handicapped persons as defined in section 601E.1, percent of private investment, percent leveraged by other programs, assessment of local housing situation, and ability to administer the program.

b. The Iowa finance authority shall give a preference in the awarding of assistance to the following:

- (1) The assistance will be used to meet the purposes of the housing trust fund program.
- (2) The applicant is a nonprofit entity.
- (3) Programs to assist low income and the disadvantaged.
- (4) A project that will qualify for the low-income housing credit under section 42 of the Internal Revenue Code.
- (5) A project that will not otherwise qualify for the low-income housing credit but will provide an income mix of the residents as described in section 42(g)(1)(A) or (B) of the Internal Revenue Code.

5. Interest charged to applicants shall range from zero to five percent. The Iowa finance authority may charge applicants an administration fee, not to exceed one percent of the principal amount of the loan, to be paid as a lump sum percent, or a percent of the interest rate.

Sec. 7. NEW SECTION. 15.287 REVOLVING FUND.

The Iowa finance authority shall establish a revolving fund for the program and shall transfer to the department moneys to be administered by the department. The moneys in the revolving fund are appropriated for purposes of the program. Notwithstanding section 8.33, moneys in the fund at the end of a fiscal year shall not revert to any other fund but shall remain in the revolving fund. The fund shall consist of all appropriations, grants, or gifts received by the authority or the department specifically for use under this part; revenues designated in section 98.35 to be deposited in the fund; and all repayments of loans made under this part.

Sec. 8. NEW SECTION. 15.288 LOCAL BONDS NOT REQUIRED -- INDEBTEDNESS LIMITATIONS.

A city, county, political subdivision, or other municipal corporation shall not be required to issue its bonds to secure loans under the community and rural development loan program. It is the intent of the general assembly that loans received by a city, county, political subdivision, or other municipal

corporation under the loan program shall not constitute an indebtedness of that entity within the meaning of any state constitutional provision or statutory limitation.

Sec. 9. Section 98.35, Code 1987, is amended to read as follows:

98.35 TAX AND FEES PAID TO GENERAL FUND.

The proceeds derived from the sale of stamps and the payment of taxes, fees and penalties provided for under this chapter, and the permit fees received from all permits issued by the department, shall be credited to the general fund of the state, except as otherwise provided in this section. All permit fees provided for in this chapter and collected by cities in the issuance of permits granted by the cities shall be paid to the treasurer of the city where the permit is effective, or to another city officer as designated by the council, and credited to the general fund of the city. Permit fees so collected by counties shall be paid to the county treasurer. One and one-half cents of the first five cents received from the sale of each stamp and the payment of the tax on each pack of cigarettes or little cigars, not to exceed four million dollars in a fiscal year, shall be deposited into the revolving fund established by the Iowa finance authority under section 15.287. Deposits under this section to the revolving fund in section 15.287 shall not be made during a fiscal year for which an appropriation from other sources to the revolving fund has been made. However, if the amount of such appropriations does not equal four million dollars or has to be reduced below that amount for any reason, deposits under this section shall be made to the extent that the amount appropriated, less any reduction, is less than four million dollars.

Sec. 10. NEW SECTION. 455B.291 DEFINITIONS.

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

1. "Authority" means the Iowa finance authority established in section 220.2.

2. "Cost" means all costs, charges, expenses, or other indebtedness incurred by a municipality 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.

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

4. "Project" means 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.

5. "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.

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

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

8. "Program" means the Iowa sewage treatment works financing program created pursuant to section 455B.294.

9. "Executive director" means the executive director of the Iowa finance authority.

Sec. 11. NEW SECTION. 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 are

essential to protecting and improving the state's water quality; that protecting 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 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 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 projects through the establishment of a state mechanism to provide loans at the lowest reasonable rates.

Sec. 12. NEW SECTION. 455B.293 POLICY.

It is the policy of the general assembly that it is in the public interest to establish a sewage treatment works financing program and a revolving loan fund and administration fund 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.

Sec. 13. NEW SECTION. 455B.294 ESTABLISHMENT OF THE IOWA SEWAGE TREATMENT WORKS FINANCING PROGRAM.

The Iowa sewage treatment works financing program is established for the purpose of making loans available to municipalities 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 rules of the department and the commission, the rules of the authority, and state law.

Sec. 14. NEW SECTION. 455B.295 FUNDS AND ACCOUNTS.

1. Two 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".

2. The revolving loan fund shall include sums appropriated to the revolving loan fund by the general assembly, sums allocated to the state expressly for the purposes of establishing a revolving loan fund under the Clean Water Act, all receipts by the revolving loan fund, and any other sums designated for deposit to the revolving loan fund from any public or private source. All moneys appropriated to and deposited in the revolving fund are appropriated and shall be used for the sole purpose of making loans to the municipalities to finance all or part of the cost of projects. The moneys appropriated to and deposited in the 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 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 to be used for its purposes. The revolving loan fund is a dedicated fund under the administration and control of the authority and subject to section 220.31. Moneys on deposit in the revolving loan fund 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 revolving loan fund.

3. The sewage treatment works administration fund shall include sums appropriated to the administration fund by the general assembly, sums allocated to the state for the express purposes of administering the program authorized by the Clean Water Act, and all receipts by the administration fund from any public or private source. All moneys appropriated to and deposited in the administration fund 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.

Sec. 15. NEW SECTION. 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 federal regulations adopted pursuant to the Act and may accept capitalization grants for the revolving loan fund in accordance with payment schedules established by the administrator. All payments from the administrator shall be deposited in the revolving loan fund.

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, the administration fund, and other funds established pursuant to section 455B.295, subsection 4, and to fund balances at the beginning and end of the accounting periods.

Sec. 16. NEW SECTION. 455B.297 LOANS TO MUNICIPALITIES.

Moneys deposited in the revolving loan fund shall be used for the sole purpose of making loans to municipalities to finance the cost of projects in accordance with the intended use plans developed by the department under section 455B.296. The municipalities 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 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. 17. NEW SECTION. 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 which satisfy the rules adopted by the commission, and the intended use plan 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, 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.
6. Charge each municipality receiving a loan from the 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 administration fund.
7. Consult with and receive the approval of the authority concerning the terms and conditions of loan agreements with municipalities 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. 18. NEW SECTION. 455B.299 ADOPTION OF RULES.

The commission shall adopt rules pursuant to chapter 17A appropriate for the administration of this part.

Sec. 19. Section 220.100, subsection 7, Code Supplement 1987, is amended by striking the subsection.

Sec. 20. NEW SECTION. 220.131 IOWA SEWAGE TREATMENT WORKS 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 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 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 220.28, 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. 21. NEW SECTION. 220.132 SECURITY -- RESERVE FUNDS -- PLEDGES -- NONLIABILITY -- IRREVOCABLE CONTRACTS.

1. The authority may provide in the resolution, trust agreement, or other instrument authorizing the issuance of its bonds or notes pursuant to section 220.131 that the principal of, premium, and interest on the bonds or notes are payable from any of the following and may pledge the same to its bonds and notes:

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 amounts on deposit in the revolving loan fund.

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

e. Any other funds or accounts established by the authority in connection with the program or the sale and issuance of its bonds or notes.

2. The authority may establish 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.

3. 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.

4. Neither the members of the authority nor persons 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.

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, and the amounts payable to the department under its loan agreements with the municipalities 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.

6. The state pledges to and agrees with the holders of bonds or notes issued under the Iowa sewage treatment works 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. 22. NEW SECTION. 220.133 ADOPTION OF RULES.

The authority shall adopt rules pursuant to chapter 17A to implement sections 220.131 and 220.132.

Sec. 23. NEW SECTION. 220.134 COMMUNITY AND RURAL DEVELOPMENT LOAN PROGRAM.

The authority may exercise all of its powers contained in this chapter, including but not limited to, the power to issue bonds and notes, to implement and carry out the purposes of the community and rural development loan program established pursuant to sections 15.281 through 15.288. The authority

shall issue its bonds and notes for the loan program consistent with the loan program and shall provide that the bonds and notes shall be payable solely from moneys in the revolving fund established pursuant to section 15.287. The authority shall not issue more than fifteen million dollars in bonds or notes in any one calendar year.

Sec. 24. Sections 1 through 7 and 9 of this Act are effective July 1, 1988.

Sec. 25. This Act, being deemed of immediate importance takes effect upon enactment.

JO ANN ZIMMERMAN
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2092, Seventy-second General Assembly.

John P. Dwyer
Approved May 11, 1988

JOHN P. DWYER
Secretary of the Senate

TERRY E. BRANSTAD
Governor