

# REPRINTED

FEB 28 1996

Place On Calendar

HOUSE FILE 2397  
BY COMMITTEE ON COMMERCE  
AND REGULATION

(SUCCESSOR TO HSB 696)

Passed House, <sup>(p. 545)</sup> Date 3-5-96 Passed Senate, <sup>(p. 1067)</sup> Date 3/26/96  
Vote: Ayes 64 Nays 31 Vote: Ayes 46 Nays 3  
Approved April 4, 1996

## A BILL FOR

1 An Act relating to linked investments.  
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2397

1 Section 1. Section 12.32, Code 1995, is amended to read as  
2 follows:

3 12.32 DEFINITIONS.

4 As used in this division, unless the context otherwise  
5 requires:

6 1. "Eligible borrower" means any person who is in the  
7 business or is entering the business of producing, processing,  
8 or marketing horticultural crops or nontraditional crops in  
9 this state or any person in this state who is qualified to  
10 participate in one of the programs in this division.

11 2. "Eligible lending institution" means a financial  
12 institution that is empowered to make commercial loans, and is  
13 eligible pursuant to chapter 12C to be a depository of state  
14 funds, ~~and agrees to participate in the linked investments for~~  
15 ~~tomorrow program.~~

16 3. "Linked investment" means a certificate of deposit  
17 placed pursuant to this division by the treasurer of state  
18 with an eligible lending institution, at an interest rate not  
19 more than three percent below current market rates on the  
20 condition that the institution agrees to lend the value of the  
21 deposit, according to the investment agreement provided in  
22 section ~~12.37~~ 12.35, to an eligible borrower at a rate not to  
23 exceed four percent above the rate paid on the certificate of  
24 deposit.

25 Sec. 2. Section 12.34, subsection 2, Code 1995, is amended  
26 to read as follows:

27 2. The treasurer shall adopt rules pursuant to chapter 17A  
28 to implement administer this division ~~including, but not~~  
29 ~~limited to, rules identifying horticultural crops and~~  
30 ~~nontraditional crops for which the linked investments may be~~  
31 ~~loaned.~~

32 Sec. 3. Section 12.34, Code 1995, is amended by adding the  
33 following new subsection:

34 NEW SUBSECTION. 3. Certificates of deposit placed by the  
35 treasurer on or after July 1, 1996, pursuant to this division

1 may be renewed at the option of the treasurer. The initial  
2 certificate of deposit for a given borrower shall have a  
3 maturity of one year and may be renewed for eight additional  
4 one-year periods.

5 Sec. 4. Section 12.35, Code 1995, is amended to read as  
6 follows:

7 12.35 APPLICATION.

8 1. An eligible lending institution that desires to receive  
9 a linked investment shall enter into an agreement with the  
10 treasurer of state, which shall include requirements necessary  
11 for the eligible lending institution to comply with this  
12 division.

13 ~~1. 2. An eligible lending institution that desires to~~  
14 ~~receive a linked investment shall accept and review~~  
15 ~~applications for loans from eligible borrowers. The lending~~  
16 ~~institution shall apply all usual lending standards to~~  
17 ~~determine the credit-worthiness of each eligible borrower.~~  
18 ~~Loan applications shall be for the purchase or lease of land,~~  
19 ~~machinery, equipment, seed, fertilizer, direct marketing~~  
20 ~~facilities, or new or expanding processing facilities for~~  
21 ~~horticultural crops or nontraditional crops. The maximum size~~  
22 ~~of a loan is two hundred thousand dollars per borrower for a~~  
23 ~~production loan and five hundred thousand dollars for~~  
24 ~~processing or marketing facilities.~~

25 ~~2. 3.~~ The eligible financial lending institution shall  
26 forward to the state treasurer of state a linked investment  
27 loan package in the form and manner as prescribed by the  
28 treasurer of state. The package shall include information  
29 required by the treasurer of state, including but not limited  
30 to the amount of the loan requested and the purpose of the  
31 loan. The institution shall certify that the applicant is an  
32 eligible borrower ~~and shall certify the present borrowing rate~~  
33 ~~applicable to the specific eligible borrower.~~

34 Sec. 5. Section 12.36, Code 1995, is amended to read as  
35 follows:

## 1 12.36 ACTIONS BY TREASURER ---AGREEMENT.

2 1. The treasurer of state shall accept or reject a linked  
3 investment loan package or any portion of the package based on  
4 the type or terms of the loan involved, the availability of  
5 state funds, or the compliance of the eligible borrower or  
6 eligible lending institution.

7 2. Upon acceptance of the linked investment loan package  
8 or any portion of the package, the treasurer of state shall  
9 place certificates of deposit with the eligible lending  
10 institution at a rate not more than three percent below the  
11 current market rate. ~~After July 1, 1992, the~~ The treasurer of  
12 state shall not place a certificate of deposit with an  
13 eligible lending institution pursuant to this division, unless  
14 the certificate of deposit earns a rate of interest of at  
15 least two percent. When necessary, the treasurer may place  
16 ~~certificates of deposit prior to acceptance of a linked~~  
17 ~~investment loan package.~~ Interest earned on the certificate  
18 of deposit and principal not renewed shall be remitted to the  
19 treasurer of state at the time the certificate of deposit  
20 matures. Certificates of deposit placed pursuant to this  
21 division are not subject to a penalty for early withdrawal.

22 ~~3. The eligible lending institution shall enter into an~~  
23 ~~investment agreement with the treasurer of state, which shall~~  
24 ~~include requirements necessary to carry out this division.~~  
25 ~~The requirements shall reflect the market conditions~~  
26 ~~prevailing in the eligible lending institution's lending area.~~  
27 ~~The agreement may include a specification of the period of~~  
28 ~~time in which the lending institution is to lend funds upon~~  
29 ~~the placement of a linked investment, and shall include~~  
30 ~~provisions for the certificates of deposit to be placed for~~  
31 ~~one-year maturities that may be renewed for eight additional~~  
32 ~~one-year periods. Interest shall be paid at the times~~  
33 ~~determined by the treasurer of state.~~

34 Sec. 6. Section 12.38, Code 1995, is amended to read as  
35 follows:

1 12.38 REPORTS.

2 By February 1 of each year, the treasurer of state shall  
3 report on the linked investments for tomorrow program, ~~the~~  
4 ~~rural-small-business-transfer-linked-investment-loan-program,~~  
5 ~~the-targeted-small-business-linked-investments-program,-and~~  
6 ~~the-main-street-linked-investments-loan-program~~ programs for  
7 the preceding calendar year to the governor, the department of  
8 economic development, the speaker of the house of  
9 representatives, and the president of the senate. The speaker  
10 of the house shall transmit copies of this report to the house  
11 co-chair of the the joint economic development appropriations  
12 subcommittee and the chairs of the standing committees in the  
13 house which customarily consider legislation regarding  
14 agriculture and commerce, and the president of the senate  
15 shall transmit copies of this report to the senate co-chair of  
16 the joint economic development appropriations subcommittee and  
17 the chairs of the standing committees in the senate which  
18 customarily consider legislation regarding agriculture and  
19 commerce. The report shall set forth the linked investments  
20 made by the treasurer of state under the program during the  
21 year, the total amount deposited, the number of deposits, and  
22 an estimate of foregone interest, and shall include  
23 information regarding the nature, terms, and amounts of the  
24 loans upon which the linked investments were based and the  
25 eligible borrowers to which the loans were made.

26 Sec. 7. Section 12.40, Code 1995, is amended to read as  
27 follows:

28 12.40 RURAL SMALL BUSINESS TRANSFER LINKED INVESTMENT LOAN  
29 PROGRAM.

30 1. As used in this section, "rural small business" means  
31 an existing rural small business, for which local competition  
32 does not exist in the principal realm of business activity of  
33 that business, and the loss of which will work a hardship on  
34 the rural community. A rural small business may include a  
35 grocery store, drug store, gasoline station, convenience

1 store, hardware business, or farm supply store. A rural small  
2 business does not include a new business.

3 2. The treasurer of state shall adopt rules consistent  
4 with this division to implement a rural small business  
5 transfer linked investment loan program to ~~further-the~~  
6 ~~following-purposes:~~

7 ~~a.--To-promote-the-business-prosperity-and-economic-welfare~~  
8 ~~of-Iowa-through-promoting-the-prosperity-and-economic-welfare~~  
9 ~~of-rural-Iowa:~~

10 b.--To maintain and expand existing employment  
11 opportunities and the provision of retail goods on a local  
12 level in small rural communities by assisting in the transfer  
13 of ownership of retail-oriented businesses where, in the  
14 absence of sufficient financial assistance, the businesses may  
15 close.

16 3. ~~Upon-the-placement-of-linked-investment-moneys-with-an~~  
17 ~~eligible-lending-institution, the-institution-is-required-to~~  
18 ~~lend-money-to-a-person-pursuant-to-rules-adopted-by-the~~  
19 ~~treasurer-of-state-for-the-transfer-of-a-rural-small-business.~~

20 ~~The~~ In order to qualify as an eligible borrower, the rural  
21 small business must be located in a city with a population of  
22 five thousand or less. A city located in a county with a  
23 population in excess of three hundred thousand, if the city is  
24 contiguous to another city in the county and that other city  
25 is contiguous to the largest city in that county, shall be  
26 ~~considered-as-having-a-population-in-excess-of-five-thousand~~  
27 ineligible to qualify as a borrower.

28 4. ~~The~~ In order to qualify as an eligible borrower, the  
29 transfer of the rural small business must be by purchase,  
30 lease-purchase, or contract of sale. The purchase must be for  
31 a portion of the business which is essential to its continued  
32 viability, including real estate where the business is  
33 located, fixtures attached to the real estate, equipment  
34 relied upon by the business, and inventory for sale by the  
35 business.

1 ~~5.--The-eligible-lending-institution-shall-apply-all-usual~~  
2 ~~lending-standards-to-determine-the-creditworthiness-of-each~~  
3 ~~eligible-borrower.--The-lending-institution-shall-forward-to~~  
4 ~~the-treasurer-of-state-all-information-or-any-certification~~  
5 ~~relating-to-the-loan-required-and-in-a-manner-prescribed-by~~  
6 ~~this-division-and-rules-which-shall-be-adopted-by-the~~  
7 ~~treasurer-of-state.~~

8 6. 5. A In order to qualify as an eligible borrower, a  
9 borrower and the seller of the rural small business shall not  
10 be within the third degree of consanguinity or affinity.

11 6. Loan proceeds shall not be used to refinance existing  
12 debt, including credit card debt. However, proceeds may be  
13 used to refinance a short-term bridge loan made in  
14 anticipation of the treasurer's approval of the linked  
15 investment loan package.

16 7. The maximum loan amount that a borrower may receive  
17 under this program shall ~~not-be-more-than~~ be fifty thousand  
18 dollars.

19 ~~8.--Not-more-than-one-third-of-the-amount-of-the-percentage~~  
20 ~~authorized-in-section-12.34-may-be-used-for-purposes-of~~  
21 ~~supporting-this-program-and-the-main-street-linked-investment~~  
22 ~~loan-program-under-section-12.51.~~

23 Sec. 8. NEW SECTION. 12.41 HORTICULTURAL AND  
24 NONTRADITIONAL CROPS LINKED INVESTMENT LOAN PROGRAM.

25 The treasurer of state shall adopt rules to implement a  
26 horticultural and nontraditional crops linked investment loan  
27 program to provide statewide availability of lower cost funds  
28 for lending that will stimulate existing or encourage new  
29 businesses in the areas of producing, processing, or marketing  
30 horticultural or nontraditional crops. The rules shall be in  
31 accordance with the following:

32 1. In order to qualify as an eligible borrower, the loan  
33 application shall be for the purchase or lease of land,  
34 machinery, equipment, or the purchase of other inputs used in  
35 the business of producing, processing, or marketing

1 horticultural or nontraditional crops as defined by the  
2 treasurer.

3 2. Loan proceeds shall not be used to refinance existing  
4 debt, including credit card debt. However, proceeds may be  
5 used to refinance a short-term bridge loan made in  
6 anticipation of the treasurer's approval of the linked  
7 investment loan package.

8 3. The maximum loan amount that an eligible borrower may  
9 receive under this program is two hundred thousand dollars for  
10 a production loan and five hundred thousand dollars for  
11 processing or marketing facilities..

12 Sec. 9. The treasurer of state shall not place any new  
13 certificates of deposit for linked investments for the  
14 targeted small business linked investments program under  
15 section 12.43 between July 1, 1996, and June 30, 1998.  
16 Certificates of deposit placed prior to July 1, 1996, may be  
17 renewed in accordance with section 12.34.

18 Sec. 10. Certificates of deposit placed prior to July 1,  
19 1996, under the main street linked investments program may be  
20 renewed in accordance with section 12.34.

21 Sec. 11. Sections 12.51 and 12.52, Code 1995, are  
22 repealed.

23 EXPLANATION

24 This bill provides that an eligible borrower under the  
25 linked investment program includes any person, corporation,  
26 cooperative, partnership, or municipality which is qualified  
27 to participate in a linked investment program. Currently,  
28 only persons who are in the business or entering the business  
29 of producing, processing, or marketing horticultural crops or  
30 nontraditional crops may be eligible borrowers.

31 The bill also adds language that the treasurer may renew  
32 certificates of deposit under the program for up to eight one-  
33 year periods after the initial one-year period. In addition,  
34 the bill authorizes the treasurer to reject a linked  
35 investment package due to the unavailability of state funds,



1 or a lack of compliance with program requirements by an  
2 eligible borrower or eligible lending institution.

3 The bill further prohibits under the various loan programs  
4 the use of linked investment loan proceeds for the purchase of  
5 land or buildings for rental housing, for medical facilities  
6 or buildings, or refinancing an existing debt, including  
7 credit card debt, and provides an exception for refinancing a  
8 loan made in anticipation of a linked investment loan being  
9 approved.

10 The bill places a two-year moratorium on new linked  
11 investments starting July 1, 1996, for the targeted small  
12 business linked investment program. Current linked  
13 investments may be renewed however.

14 The bill also repeals the main street linked investments  
15 loan program. Current linked investments may be renewed  
16 however.

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## HOUSE FILE 2397

H-5162

1 Amend House File 2397 as follows:

2 1. Page 1, lines 8 and 9, by striking the words  
3 "crops or nontraditional crops in this state" and  
4 inserting the following: "crops, or nontraditional  
5 crops, or nontraditional livestock in this state,  
6 including but not limited to the breeding or training  
7 of horses and dogs which are involved in racing at a  
8 facility licensed pursuant to chapter 99D,".

9 2. Page 1, by inserting after line 24 the  
10 following:

11 "Sec. \_\_\_\_ . Section 12.33, subsection 1, Code 1995,  
12 is amended by adding the following new paragraph:

13 NEW PARAGRAPH. c. That there is an increasing  
14 expansion of nontraditional livestock production which  
15 promises new opportunities for agricultural animal  
16 producers, creates new value-added products, and  
17 ensures greater diversity in agricultural production.

18 Sec. \_\_\_\_ . Section 12.33, subsections 2 and 3, Code  
19 1995, are amended to read as follows:

20 2. The linked investments for tomorrow program  
21 provided for in this division is intended to provide  
22 statewide availability of lower cost funds for lending  
23 purposes that will stimulate existing or encourage new  
24 businesses in the area of producing, processing, or  
25 marketing horticultural ~~or~~ crops, nontraditional  
26 crops, or nontraditional livestock, including but not  
27 limited to the breeding or training of horses and dogs  
28 which are involved in racing at a facility licensed  
29 pursuant to chapter 99D.

30 3. It is the public policy of the state through  
31 the linked investments for tomorrow program to create  
32 an availability of lower cost funds to inject needed  
33 capital into the business of producing, processing, or  
34 marketing horticultural crops, ~~or~~ nontraditional  
35 crops, or nontraditional livestock, including but not  
36 limited to the breeding or training of horses and dogs  
37 which are involved in racing at a facility licensed  
38 pursuant to chapter 99D."

39 3. Page 1, by striking lines 27 through 31 and  
40 inserting the following:

41 "2. The treasurer shall adopt rules pursuant to  
42 chapter 17A to implement this division including, but  
43 not limited to, rules identifying horticultural crops,  
44 and nontraditional crops, and nontraditional  
45 livestock, including but not limited to the breeding  
46 or training of horses and dogs which are involved in  
47 racing at a facility licensed pursuant to chapter 99D,  
48 for which the linked investments may be loaned."

49 4. Page 2, by striking lines 13 through 24 and  
50 inserting the following:

H-5162

H-5162

Page 2

1 ~~1.~~ 2. An eligible lending institution that  
 2 desires to receive a linked investment shall accept  
 3 and review applications for loans from eligible  
 4 borrowers. The lending institution shall apply all  
 5 usual lending standards to determine the credit  
 6 worthiness of each eligible borrower. Loan  
 7 applications shall be for the purchase or lease of  
 8 land, machinery, equipment, seed, fertilizer, direct  
 9 marketing facilities, or new or expanding production,  
 10 processing, or marketing facilities for horticultural  
 11 crops, or nontraditional crops, or nontraditional  
 12 livestock, including but not limited to the breeding  
 13 or training of horses and dogs which are involved in  
 14 racing at a facility licensed pursuant to chapter 99D.  
 15 The maximum size of a loan is two hundred thousand  
 16 dollars per borrower for a production loan and five  
 17 hundred thousand dollars for processing or marketing  
 18 facilities."  
 19 5. By renumbering as necessary.

By KREMER of Buchanan

H-5162 FILED MARCH 5, 1996

RULES SUSPENDED - LOST

(p.545)

HOUSE FILE 2397

H-5168

1 Amend the amendment, H-5155, to House File 2397 as  
 2 follows:  
 3 1. Page 1, by inserting after line 1 the  
 4 following:  
 5 "\_\_\_\_. Page 7, line 15, by striking the word and  
 6 figures "July 1, 1996" and inserting the following:  
 7 "the effective date of this Act."  
 8 2. Page 1, by inserting after line 3 the  
 9 following:  
 10 "\_\_\_\_. Page 7, lines 18 and 19, by striking the  
 11 word and figures "July 1, 1996" and inserting the  
 12 following: "the effective date of this Act".  
 13 \_\_\_\_\_. Page 7, by inserting after line 22 the  
 14 following:  
 15 "Sec. \_\_\_\_\_. EFFECTIVE DATE. This Act, being deemed  
 16 of immediate importance, takes effect upon enactment."  
 17 \_\_\_\_\_. Title page, line 1, by inserting after the  
 18 word "investments" the following: "and establishing  
 19 an effective date".  
 20 \_\_\_\_\_. By renumbering as necessary."

By METCALF of Polk

H-5168 FILED MARCH 5, 1996

OUT OF ORDER

(p.543)

## HOUSE FILE 2397

H-5178

- 1 Amend the amendment, H-5155, to House File 2397 as  
 2 follows:  
 3 1. Page 1, by striking lines 1 through 3 and  
 4 inserting the following:  
 5 "Amend House File 2397 as follows:  
 6 \_\_\_\_\_. Page 7, line 15, by striking the words and  
 7 figures "July 1, 1996, and June 30, 1998" and  
 8 inserting the following: "the effective date of this  
 9 Act and June 30, 1997, unless the person for whom the  
 10 linked investment is to be made has been certified by  
 11 the department of inspections and appeals under  
 12 section 10A.302 and has submitted to the treasurer of  
 13 state a targeted small business borrower application  
 14 by the effective date of this Act".  
 15 \_\_\_\_\_. Page 7, line 16, by striking the word and  
 16 figures "July 1, 1996," and inserting the following:  
 17 ", or following the submission of a borrower  
 18 application by a certified targeted small business by  
 19 the effective date of this Act".  
 20 \_\_\_\_\_. Page 7, lines 18 and 19, by striking the  
 21 word and figures "July 1, 1996" and inserting the  
 22 following: "the effective date of this Act or  
 23 certificates of deposit placed on or after the  
 24 effective date of this Act for persons who were  
 25 certified under section 12.52 and who have submitted  
 26 to the treasurer of state a main-street borrower  
 27 application by the effective date of this Act".  
 28 \_\_\_\_\_. Page 7, by inserting after line 22 the  
 29 following:  
 30 "Sec. \_\_\_\_\_. EFFECTIVE DATE. This Act, being deemed  
 31 of immediate importance, takes effect upon enactment."  
 32 \_\_\_\_\_. Title page, line 1, by inserting after the  
 33 word "investments" the following: "and establishing  
 34 an effective date".  
 35 \_\_\_\_\_. By renumbering as necessary."

By DODERER of Johnson  
 WEIGEL of Chickasaw  
 METCALF of Polk

H-5178 FILED MARCH 5, 1996

ADOPTED

3-5-96

(P.543)

## HOUSE FILE 2397

H-5155

- 1 Amend House File 2397 as follows:  
 2 1. Page 7, line 15, by striking the figure "1998"  
 3 and inserting the following: "1997".

By WEIGEL of Chickasaw

H-5155 FILED MARCH 4, 1996

Adopted 3/5/96

(P.543)

3.16  
5-3-20-96 *Do this*

HOUSE FILE **2397**  
BY COMMITTEE ON COMMERCE  
AND REGULATION

(SUCCESSOR TO HSB 696)

(As Amended and Passed by the House, March 5, 1996)

Passed House, Date \_\_\_\_\_ Passed Senate, Date <sup>(p. 1067)</sup> 3/26/96  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes 46 Nays 3  
Approved April 4, 1996

**A BILL FOR**

1 An Act relating to linked investments and establishing an  
2 effective date.

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

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House Amendments \_\_\_\_\_

1 Section 1. Section 12.32, Code 1995, is amended to read as  
2 follows:

3 12.32 DEFINITIONS.

4 As used in this division, unless the context otherwise  
5 requires:

6 1. "Eligible borrower" means any person who is in the  
7 business or is entering the business of producing, processing,  
8 or marketing horticultural crops or nontraditional crops in  
9 this state or any person in this state who is qualified to  
10 participate in one of the programs in this division.

11 2. "Eligible lending institution" means a financial  
12 institution that is empowered to make commercial loans, and is  
13 eligible pursuant to chapter 12C to be a depository of state  
14 funds, ~~and agrees to participate in the linked investments for~~  
15 ~~tomorrow program.~~

16 3. "Linked investment" means a certificate of deposit  
17 placed pursuant to this division by the treasurer of state  
18 with an eligible lending institution, at an interest rate not  
19 more than three percent below current market rates on the  
20 condition that the institution agrees to lend the value of the  
21 deposit, according to the investment agreement provided in  
22 section ~~12.37~~ 12.35, to an eligible borrower at a rate not to  
23 exceed four percent above the rate paid on the certificate of  
24 deposit.

25 Sec. 2. Section 12.34, subsection 2, Code 1995, is amended  
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32 Sec. 3. Section 12.34, Code 1995, is amended by adding the  
33 following new subsection:

34 NEW SUBSECTION. 3. Certificates of deposit placed by the  
35 treasurer on or after July 1, 1996, pursuant to this division

1 may be renewed at the option of the treasurer. The initial  
2 certificate of deposit for a given borrower shall have a  
3 maturity of one year and may be renewed for eight additional  
4 one-year periods.

5 Sec. 4. Section 12.35, Code 1995, is amended to read as  
6 follows:

7 12.35 APPLICATION.

8 1. An eligible lending institution that desires to receive  
9 a linked investment shall enter into an agreement with the  
10 treasurer of state, which shall include requirements necessary  
11 for the eligible lending institution to comply with this  
12 division.

13 ~~1. 2. An eligible lending institution that desires to~~  
14 ~~receive a linked investment shall accept and review~~  
15 ~~applications for loans from eligible borrowers. The lending~~  
16 ~~institution shall apply all usual lending standards to~~  
17 ~~determine the credit-worthiness of each eligible borrower.~~  
18 ~~Loan applications shall be for the purchase or lease of land,~~  
19 ~~machinery, equipment, seed, fertilizer, direct marketing~~  
20 ~~facilities, or new or expanding processing facilities for~~  
21 ~~horticultural crops or nontraditional crops. The maximum size~~  
22 ~~of a loan is two hundred thousand dollars per borrower for a~~  
23 ~~production loan and five hundred thousand dollars for~~  
24 ~~processing or marketing facilities.~~

25 ~~2. 3. The eligible financial lending institution shall~~  
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30 ~~to the amount of the loan requested and the purpose of the~~  
31 ~~loan. The institution shall certify that the applicant is an~~  
32 ~~eligible borrower and shall certify the present borrowing rate~~  
33 ~~applicable to the specific eligible borrower.~~

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## 1 12.36 ACTIONS BY TREASURER ---AGREEMENT.

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3 investment loan package or any portion of the package based on  
4 the type or terms of the loan involved, the availability of  
5 state funds, or the compliance of the eligible borrower or  
6 eligible lending institution.

7 2. Upon acceptance of the linked investment loan package  
8 or any portion of the package, the treasurer of state shall  
9 place certificates of deposit with the eligible lending  
10 institution at a rate not more than three percent below the  
11 current market rate. ~~After July 1, 1992, the~~ The treasurer of  
12 state shall not place a certificate of deposit with an  
13 eligible lending institution pursuant to this division, unless  
14 the certificate of deposit earns a rate of interest of at  
15 least two percent. ~~When necessary, the treasurer may place~~  
16 ~~certificates of deposit prior to acceptance of a linked~~  
17 ~~investment loan package.~~ Interest earned on the certificate  
18 of deposit and principal not renewed shall be remitted to the  
19 treasurer of state at the time the certificate of deposit  
20 matures. Certificates of deposit placed pursuant to this  
21 division are not subject to a penalty for early withdrawal.

22 ~~3. The eligible lending institution shall enter into an~~  
23 ~~investment agreement with the treasurer of state, which shall~~  
24 ~~include requirements necessary to carry out this division.~~  
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27 ~~The agreement may include a specification of the period of~~  
28 ~~time in which the lending institution is to lend funds upon~~  
29 ~~the placement of a linked investment, and shall include~~  
30 ~~provisions for the certificates of deposit to be placed for~~  
31 ~~one-year maturities that may be renewed for eight additional~~  
32 ~~one-year periods. Interest shall be paid at the times~~  
33 ~~determined by the treasurer of state.~~

34 Sec. 6. Section 12.38, Code 1995, is amended to read as  
35 follows:



1 12.38 REPORTS.

2 By February 1 of each year, the treasurer of state shall  
3 report on the linked investments for tomorrow ~~program, the~~  
4 ~~rural-small-business-transfer-linked-investment-loan-program,~~  
5 ~~the-targeted-small-business-linked-investments-program, and~~  
6 ~~the-main-street-linked-investments-loan-program~~ programs for  
7 the preceding calendar year to the governor, the department of  
8 economic development, the speaker of the house of  
9 representatives, and the president of the senate. The speaker  
10 of the house shall transmit copies of this report to the house  
11 co-chair of the the joint economic development appropriations  
12 subcommittee and the chairs of the standing committees in the  
13 house which customarily consider legislation regarding  
14 agriculture and commerce, and the president of the senate  
15 shall transmit copies of this report to the senate co-chair of  
16 the joint economic development appropriations subcommittee and  
17 the chairs of the standing committees in the senate which  
18 customarily consider legislation regarding agriculture and  
19 commerce. The report shall set forth the linked investments  
20 made by the treasurer of state under the program during the  
21 year, the total amount deposited, the number of deposits, and  
22 an estimate of foregone interest, and shall include  
23 information regarding the nature, terms, and amounts of the  
24 loans upon which the linked investments were based and the  
25 eligible borrowers to which the loans were made.

26 Sec. 7. Section 12.40, Code 1995, is amended to read as  
27 follows:

28 12.40 RURAL SMALL BUSINESS TRANSFER LINKED INVESTMENT LOAN  
29 PROGRAM.

30 1. As used in this section, "rural small business" means  
31 an existing rural small business, for which local competition  
32 does not exist in the principal realm of business activity of  
33 that business, and the loss of which will work a hardship on  
34 the rural community. A rural small business may include a  
35 grocery store, drug store, gasoline station, convenience

1 store, hardware business, or farm supply store. A rural small  
2 business does not include a new business.

3 2. The treasurer of state shall adopt rules consistent  
4 with this division to implement a rural small business  
5 transfer linked investment loan program to further-the  
6 following-purposes:

7 a.--~~To promote the business prosperity and economic welfare~~  
8 ~~of Iowa through promoting the prosperity and economic welfare~~  
9 ~~of rural Iowa:~~

10 b.--~~To~~ maintain and expand existing employment  
11 opportunities and the provision of retail goods on a local  
12 level in small rural communities by assisting in the transfer  
13 of ownership of retail-oriented businesses where, in the  
14 absence of sufficient financial assistance, the businesses may  
15 close.

16 3. ~~Upon the placement of linked investment moneys with an~~  
17 ~~eligible lending institution, the institution is required to~~  
18 ~~lend money to a person pursuant to rules adopted by the~~  
19 ~~treasurer of state for the transfer of a rural small business.~~  
20 The In order to qualify as an eligible borrower, the rural  
21 small business must be located in a city with a population of  
22 five thousand or less. A city located in a county with a  
23 population in excess of three hundred thousand, if the city is  
24 contiguous to another city in the county and that other city  
25 is contiguous to the largest city in that county, shall be  
26 ~~considered as having a population in excess of five thousand~~  
27 ineligible to qualify as a borrower.

28 4. The In order to qualify as an eligible borrower, the  
29 transfer of the rural small business must be by purchase,  
30 lease-purchase, or contract of sale. The purchase must be for  
31 a portion of the business which is essential to its continued  
32 viability, including real estate where the business is  
33 located, fixtures attached to the real estate, equipment  
34 relied upon by the business, and inventory for sale by the  
35 business.

1 5.---The-eligible-lending-institution-shall-apply-all-usual  
2 lending-standards-to-determine-the-creditworthiness-of-each  
3 eligible-borrower.---The-lending-institution-shall-forward-to  
4 the-treasurer-of-state-all-information-or-any-certification  
5 relating-to-the-loan-required-and-in-a-manner-prescribed-by  
6 this-division-and-rules-which-shall-be-adopted-by-the  
7 treasurer-of-state.

8 6. 5. A In order to qualify as an eligible borrower, a  
9 borrower and the seller of the rural small business shall not  
10 be within the third degree of consanguinity or affinity.

11 6. Loan proceeds shall not be used to refinance existing  
12 debt, including credit card debt. However, proceeds may be  
13 used to refinance a short-term bridge loan made in  
14 anticipation of the treasurer's approval of the linked  
15 investment loan package.

16 7. The maximum loan amount that a borrower may receive  
17 under this program shall ~~not be more than~~ be fifty thousand  
18 dollars.

19 8. ~~Not more than one-third of the amount of the percentage~~  
20 ~~authorized in section 12.34 may be used for purposes of~~  
21 ~~supporting this program and the main street linked investment~~  
22 ~~loan program under section 12.51.~~

23 Sec. 8. NEW SECTION. 12.41 HORTICULTURAL AND  
24 NONTRADITIONAL CROPS LINKED INVESTMENT LOAN PROGRAM.

25 The treasurer of state shall adopt rules to implement a  
26 horticultural and nontraditional crops linked investment loan  
27 program to provide statewide availability of lower cost funds  
28 for lending that will stimulate existing or encourage new  
29 businesses in the areas of producing, processing, or marketing  
30 horticultural or nontraditional crops. The rules shall be in  
31 accordance with the following:

32 1. In order to qualify as an eligible borrower, the loan  
33 application shall be for the purchase or lease of land,  
34 machinery, equipment, or the purchase of other inputs used in  
35 the business of producing, processing, or marketing

1 horticultural or nontraditional crops as defined by the  
2 treasurer.

3 2. Loan proceeds shall not be used to refinance existing  
4 debt, including credit card debt. However, proceeds may be  
5 used to refinance a short-term bridge loan made in  
6 anticipation of the treasurer's approval of the linked  
7 investment loan package.

8 3. The maximum loan amount that an eligible borrower may  
9 receive under this program is two hundred thousand dollars for  
10 a production loan and five hundred thousand dollars for  
11 processing or marketing facilities.

12 Sec. 9. The treasurer of state shall not place any new  
13 certificates of deposit for linked investments for the  
14 targeted small business linked investments program under  
15 section 12.43 between the effective date of this Act and June  
16 30, 1997, unless the person for whom the linked investment is  
17 to be made has been certified by the department of inspections  
18 and appeals under section 10A.302 and has submitted to the  
19 treasurer of state a targeted small business borrower  
20 application by the effective date of this Act. Certificates  
21 of deposit placed prior to, or following the submission of a  
22 borrower application by a certified targeted small business by  
23 the effective date of this Act may be renewed in accordance  
24 with section 12.34.

25 Sec. 10. Certificates of deposit placed prior to the  
26 effective date of this Act or certificates of deposit placed  
27 on or after the effective date of this Act for persons who  
28 were certified under section 12.52 and who have submitted to  
29 the treasurer of state a main-street borrower application by  
30 the effective date of this Act, under the main street linked  
31 investments program may be renewed in accordance with section  
32 12.34.

33 Sec. 11. Sections 12.51 and 12.52, Code 1995, are  
34 repealed.

35 Sec. 12. EFFECTIVE DATE. This Act, being deemed of

1 immediate importance, takes effect upon enactment.

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**HOUSE FILE 2397  
FISCAL NOTE**

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A fiscal note for House File 2397 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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House File 2397 expands the definition of an eligible borrower under the Linked Investments for Tomorrow Program; allows the Treasurer of State to renew certificates of deposit under the Program for up to eight one-year periods after the initial one-year period; authorizes the Treasurer of State to reject a Linked Investment package due to unavailability of State funds or lack of compliance with Program requirements; prohibits use of Linked Investment loan proceeds for purchase of land or buildings for rental housing, medical facilities or buildings, or refinancing existing debt; places a two-year moratorium on new Linked Investments for the Targeted Small Business Program; and repeals the Main Street Linked Investments Program.

**BACKGROUND**

Through the Linked Investments for Tomorrow Program, the Treasurer of State is authorized to deposit funds in Iowa depositories at an interest rate of 3.0% below market rate for a U.S. Treasury Bill of comparable maturity. The depository must make a loan for a like amount to a qualified project. The interest rate for the loan cannot be more than 4.0% above the interest rate of deposit.

**ASSUMPTIONS**

1. The State will realize increased revenues as a result of the two-year moratorium on new Linked Investments for the Targeted Small Business Program. The Treasurer will earn a higher rate of interest than earned under the Linked Investments for Tomorrow Program.
2. The estimated increase in loans for the Targeted Small Business Program for FY 1997 would be consistent with the increase experienced in Calendar Year 1995 (\$15.0 million).
3. The amount of interest foregone when the Treasurer of State buys a Certificate of Deposit under the Linked Investments for Tomorrow Program is estimated to be 3.0%.

**FISCAL IMPACT**

Increased revenue to the State in both FY 1997 and FY 1998 is estimated to be \$450,000, for a total increase over the next two fiscal years of \$900,000. This is shown through the following calculations.

SOURCE

Office of the Treasurer of State

(LSB 3665hv, LDC)

FILED MARCH 12, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

## HOUSE FILE 2397

S-5538

1 Amend House File 2397, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, lines 8 and 9, by striking the words  
4 "crops or nontraditional crops in this state" and  
5 inserting the following: "crops, or nontraditional  
6 crops, or nontraditional livestock in this state,  
7 including but not limited to the breeding or training  
8 of horses and dogs which are involved in racing at a  
9 facility licensed pursuant to chapter 99D,".

10 2. Page 1, by inserting after line 24 the  
11 following:

12 "Sec. \_\_\_\_ . Section 12.33, subsection 1, Code 1995,  
13 is amended by adding the following new paragraph:

14 NEW PARAGRAPH. c. That there is an increasing  
15 expansion of nontraditional livestock production which  
16 promises new opportunities for agricultural animal  
17 producers, creates new value-added products, and  
18 ensures greater diversity in agricultural production.

19 Sec. \_\_\_\_ . Section 12.33, subsections 2 and 3, Code  
20 1995, are amended to read as follows:

21 2. The linked investments for tomorrow program  
22 provided for in this division is intended to provide  
23 statewide availability of lower cost funds for lending  
24 purposes that will stimulate existing or encourage new  
25 businesses in the area of producing, processing, or  
26 marketing horticultural ~~or~~ crops, nontraditional  
27 crops, or nontraditional livestock, including but not  
28 limited to the breeding or training of horses and dogs  
29 which are involved in racing at a facility licensed  
30 pursuant to chapter 99D.

31 3. It is the public policy of the state through  
32 the linked investments for tomorrow program to create  
33 an availability of lower cost funds to inject needed  
34 capital into the business of producing, processing, or  
35 marketing horticultural crops, ~~or~~ nontraditional  
36 crops, or nontraditional livestock, including but not  
37 limited to the breeding or training of horses and dogs  
38 which are involved in racing at a facility licensed  
39 pursuant to chapter 99D."

40 3. Page 1, by striking lines 27 through 31 and  
41 inserting the following:

42 "2. The treasurer shall adopt rules pursuant to  
43 chapter 17A to implement this division including, but  
44 not limited to, rules identifying horticultural crops,  
45 and nontraditional crops, and nontraditional  
46 livestock, including but not limited to the breeding  
47 or training of horses and dogs which are involved in  
48 racing at a facility licensed pursuant to chapter 99D,  
49 for which the linked investments may be loaned."

50 4. Page 2, by striking lines 13 through 24 and

S-5538



S-5538

Page 2

1 inserting the following:

2 "1- 2. An eligible lending institution that  
3 desires to receive a linked investment shall accept  
4 and review applications for loans from eligible  
5 borrowers. The lending institution shall apply all  
6 usual lending standards to determine the credit  
7 worthiness of each eligible borrower. Loan  
8 applications shall be for the purchase or lease of  
9 land, machinery, equipment, seed, fertilizer, direct  
10 marketing facilities, or new or expanding production,  
11 processing, or marketing facilities for horticultural  
12 crops, or nontraditional crops, or nontraditional  
13 livestock, including but not limited to the breeding  
14 or training of horses and dogs which are involved in  
15 racing at a facility licensed pursuant to chapter 99D.  
16 The maximum size of a loan is two hundred thousand  
17 dollars per borrower for a production loan and five  
18 hundred thousand dollars for processing or marketing  
19 facilities."

20 5. By renumbering as necessary.

By LARRY MURPHY

S-5538 FILED MARCH 26, 1996

LOST

(p. 1067)

METCALF: CHAIR

L. Nelson

Jacobs

HSB 696

COMMERCE AND REGULATION

Succeeded By  
SF (HF) 2397

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
COMMERCE AND REGULATION  
BILL BY CHAIRPERSON METCALF)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to linked investments.  
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 12.32, Code 1995, is amended to read as  
2 follows:

3 12.32 DEFINITIONS.

4 As used in this division, unless the context otherwise  
5 requires:

6 1. "Eligible borrower" means any person who is in the  
7 business or is entering the business of producing, processing,  
8 or marketing horticultural crops or nontraditional crops in  
9 this state or any person in this state who is qualified to  
10 participate in one of the programs in this division.

11 2. "Eligible lending institution" means a financial  
12 institution that is empowered to make commercial loans, and is  
13 eligible pursuant to chapter 12C to be a depository of state  
14 funds, and agrees to participate in the linked investments for  
15 tomorrow program.

16 3. "Linked investment" means a certificate of deposit  
17 placed pursuant to this division by the treasurer of state  
18 with an eligible lending institution, at an interest rate not  
19 more than three two percent below current market rates on the  
20 condition that the institution agrees to lend the value of the  
21 deposit, according to the investment agreement provided in  
22 section ~~12.37~~ 12.35, to an eligible borrower at a rate not to  
23 exceed four percent above the rate paid on the certificate of  
24 deposit.

25 Sec. 2. Section 12.34, Code 1995, is amended to read as  
26 follows:

27 12.34 LINKED INVESTMENTS -- LIMITATIONS.

28 1. The treasurer of state may invest up to ten percent of  
29 the ~~balance of the state pooled money fund~~ average balance of  
30 the pooled money investment fund for the previous fiscal year  
31 in certificates of deposit in eligible lending institutions  
32 pursuant to this division.

33 2. Certificates of deposit placed by the treasurer on or  
34 after July 1, 1996, pursuant to this division may be renewed  
35 at the option of the treasurer. The initial certificate of

1 deposit for a given borrower shall have a maturity of one year  
2 and may be renewed for eight additional one-year periods.

3 3. A preference shall be given to those persons who are  
4 less able than other persons to secure funds without  
5 participation in the linked investment program.

6 ~~2- 4. The treasurer shall adopt rules pursuant to chapter~~  
7 ~~17A to implement administer this division including-but-not~~  
8 ~~limited-to-rules-identifying-horticultural-crops-and~~  
9 ~~nontraditional-crops-for-which-the-linked-investments-may-be~~  
10 ~~loaned.~~

11 Sec. 3. Section 12.35, Code 1995, is amended to read as  
12 follows:

13 12.35 APPLICATION.

14 1. An eligible lending institution that desires to receive  
15 a linked investment shall enter into an agreement with the  
16 treasurer of state, which shall include requirements necessary  
17 for the eligible lending institution to comply with this  
18 division.

19 ~~1- 2. An eligible lending institution that desires to~~  
20 ~~receive a linked investment shall accept and review~~  
21 ~~applications for loans from eligible borrowers. The lending~~  
22 ~~institution shall-apply-all-usual-lending-standards-to~~  
23 ~~determine-the-credit-worthiness-of-each-eligible-borrower~~  
24 ~~determine whether the applicant is an eligible borrower and~~  
25 ~~shall certify to the treasurer of state that the applicant~~  
26 ~~would not receive a loan without the linked investment under~~  
27 ~~the institution's usual lending standards. Loan-applications~~  
28 ~~shall-be-for-the-purchase-or-lease-of-land-machinery~~  
29 ~~equipment-seed-fertilizer-direct-marketing-facilities-or~~  
30 ~~new-or-expanding-processing-facilities-for-horticultural-crops~~  
31 ~~or-nontraditional-crops--The-maximum-size-of-a-loan-is-two~~  
32 ~~hundred-thousand-dollars-per-borrower-for-a-production-loan~~  
33 ~~and-five-hundred-thousand-dollars-for-processing-or-marketing~~  
34 ~~facilities-~~

35 ~~2- 3. The eligible financial lending institution shall~~

1 forward to the state treasurer of state a linked investment  
2 loan package in the form and manner as prescribed by the  
3 treasurer of state. The package shall include information  
4 required by the treasurer of state, including but not limited  
5 to the amount of the loan requested and the purpose of the  
6 loan. The institution shall certify that the applicant is an  
7 eligible borrower ~~and shall certify the present borrowing rate~~  
8 ~~applicable to the specific eligible borrower.~~

9 Sec. 4. Section 12.36, Code 1995, is amended to read as  
10 follows:

11 12.36 ACTIONS BY TREASURER ---AGREEMENT.

12 1. The treasurer of state shall accept or reject a linked  
13 investment loan package or any portion of the package based on  
14 the type or terms of the loan involved, the availability of  
15 state funds, or the compliance of the eligible borrower or  
16 eligible lending institution.

17 2. Upon acceptance of the linked investment loan package  
18 or any portion of the package, the treasurer of state shall  
19 place certificates of deposit with the eligible lending  
20 institution at a rate not more than three two percent below  
21 the current market rate. ~~After July 1, 1992, the~~ The  
22 treasurer of state shall not place a certificate of deposit  
23 with an eligible lending institution pursuant to this  
24 division, unless the certificate of deposit earns a rate of  
25 interest of at least two percent. ~~When necessary, the~~  
26 ~~treasurer may place certificates of deposit prior to~~  
27 ~~acceptance of a linked investment loan package.~~ Interest  
28 earned on the certificate of deposit and principal not renewed  
29 shall be remitted to the treasurer of state at the time the  
30 certificate of deposit matures. Certificates of deposit  
31 placed pursuant to this division are not subject to a penalty  
32 for early withdrawal.

33 ~~3. The eligible lending institution shall enter into an~~  
34 ~~investment agreement with the treasurer of state, which shall~~  
35 ~~include requirements necessary to carry out this division.~~

1 ~~The requirements shall reflect the market conditions~~  
2 ~~prevailing in the eligible lending institution's lending area.~~  
3 ~~The agreement may include a specification of the period of~~  
4 ~~time in which the lending institution is to lend funds upon~~  
5 ~~the placement of a linked investment, and shall include~~  
6 ~~provisions for the certificates of deposit to be placed for~~  
7 ~~one-year maturities that may be renewed for eight additional~~  
8 ~~one-year periods. Interest shall be paid at the times~~  
9 ~~determined by the treasurer of state.~~

10 Sec. 5. Section 12.38, Code 1995, is amended to read as  
11 follows:

12 12.38 REPORTS.

13 By February 1 of each year, the treasurer of state shall  
14 report on the linked investments for tomorrow program, the  
15 rural small business transfer linked investment loan program,  
16 the targeted small business linked investments program, and  
17 the main street linked investments loan program programs for  
18 the preceding calendar year to the governor, the department of  
19 economic development, the speaker of the house of  
20 representatives, and the president of the senate. The speaker  
21 of the house shall transmit copies of this report to the house  
22 co-chair of the the joint economic development appropriations  
23 subcommittee and the chairs of the standing committees in the  
24 house which customarily consider legislation regarding  
25 agriculture and commerce, and the president of the senate  
26 shall transmit copies of this report to the senate co-chair of  
27 the joint economic development appropriations subcommittee and  
28 the chairs of the standing committees in the senate which  
29 customarily consider legislation regarding agriculture and  
30 commerce. The report shall set forth the linked investments  
31 made by the treasurer of state under the program during the  
32 year, the date of the investments, the total amount deposited,  
33 the number of deposits, and an estimate of foregone interest,  
34 the borrowing rate applicable to each borrower, and shall  
35 include information regarding the nature, terms, and amounts

1 of the loans upon which the linked investments were based and  
2 the eligible borrowers to which the loans were made.

3 Sec. 6. Section 12.40, Code 1995, is amended to read as  
4 follows:

5 12.40 RURAL SMALL BUSINESS TRANSFER LINKED INVESTMENT LOAN  
6 PROGRAM.

7 1. As used in this section, "rural small business" means  
8 an existing rural small business, for which local competition  
9 does not exist in the principal realm of business activity of  
10 that business, and the loss of which will work a hardship on  
11 the rural community. A rural small business may include a  
12 grocery store, drug store, gasoline station, convenience  
13 store, hardware business, or farm supply store. A rural small  
14 business does not include a new business.

15 2. The treasurer of state shall adopt rules consistent  
16 with this division to implement a rural small business  
17 transfer linked investment loan program to further-the  
18 following-purposes:

19 ~~a.--To-promote-the-business-prosperity-and-economic-welfare~~  
20 ~~of-Iowa-through-promoting-the-prosperity-and-economic-welfare~~  
21 ~~of-rural-Iowa.~~

22 b.--To maintain and expand existing employment  
23 opportunities and the provision of retail goods on a local  
24 level in small rural communities by assisting in the transfer  
25 of ownership of retail-oriented businesses where, in the  
26 absence of sufficient financial assistance, the businesses may  
27 close.

28 3. ~~Upon-the-placement-of-linked-investment-moneys-with-an~~  
29 ~~eligible-lending-institution, the-institution-is-required-to~~  
30 ~~lend-money-to-a-person-pursuant-to-rules-adopted-by-the~~  
31 ~~treasurer-of-state-for-the-transfer-of-a-rural-small-business.~~

32 The In order to qualify as an eligible borrower, the rural  
33 small business must be located in a city with a population of  
34 five thousand or less. A city located in a county with a  
35 population in excess of three hundred thousand, if the city is

1 contiguous to another city in the county and that other city  
2 is contiguous to the largest city in that county, shall be  
3 ~~considered as having a population in excess of five thousand~~  
4 ineligible to qualify as a borrower.

5 4. The In order to qualify as an eligible borrower, the  
6 transfer of the rural small business must be by purchase,  
7 lease-purchase, or contract of sale. The purchase must be for  
8 a portion of the business which is essential to its continued  
9 viability, including real estate where the business is  
10 located, fixtures attached to the real estate, equipment  
11 relied upon by the business, and inventory for sale by the  
12 business.

13 ~~5.---The eligible lending institution shall apply all usual~~  
14 ~~lending standards to determine the creditworthiness of each~~  
15 ~~eligible borrower.---The lending institution shall forward to~~  
16 ~~the treasurer of state all information or any certification~~  
17 ~~relating to the loan required and in a manner prescribed by~~  
18 ~~this division and rules which shall be adopted by the~~  
19 ~~treasurer of state.~~

20 6. 5. A In order to qualify as an eligible borrower, a  
21 borrower and the seller of the rural small business shall not  
22 be within the third degree of consanguinity or affinity.

23 6. Loan proceeds shall not be used to refinance existing  
24 debt, including credit card debt. However, proceeds may be  
25 used to refinance a short-term bridge loan made in  
26 anticipation of the treasurer's approval of the linked  
27 investment loan package.

28 7. The maximum loan amount that a borrower may receive  
29 under this program shall ~~not be more than~~ be fifty thousand  
30 dollars.

31 ~~8.---Not more than one-third of the amount of the percentage~~  
32 ~~authorized in section 12.34 may be used for purposes of~~  
33 ~~supporting this program and the main street linked investment~~  
34 ~~loan program under section 12.51.~~

35 Sec. 7. NEW SECTION. 12.41 HORTICULTURAL AND



1 NONTRADITIONAL CROPS LINKED INVESTMENT LOAN PROGRAM.

2 The treasurer of state shall adopt rules to implement a  
3 horticultural and nontraditional crops linked investment loan  
4 program to provide statewide availability of lower cost funds  
5 for lending that will stimulate existing or encourage new  
6 businesses in the areas of producing, processing, or marketing  
7 horticultural or nontraditional crops. The rules shall be in  
8 accordance with the following:

9 1. In order to qualify as an eligible borrower, the loan  
10 application shall be for the purchase or lease of land,  
11 machinery, equipment, or the purchase of other inputs used in  
12 the business of producing, processing, or marketing  
13 horticultural or nontraditional crops as defined by the  
14 treasurer.

15 2. Loan proceeds shall not be used to refinance existing  
16 debt, including credit card debt. However, proceeds may be  
17 used to refinance a short-term bridge loan made in  
18 anticipation of the treasurer's approval of the linked  
19 investment loan package.

20 3. The maximum loan amount that an eligible borrower may  
21 receive under this program is one hundred thousand dollars.

22 Sec. 8. Section 12.43, Code 1995, is amended to read as  
23 follows:

24 12.43 TARGETED SMALL BUSINESS LINKED INVESTMENTS

25 INVESTMENT LOAN PROGRAM CREATED----DEFINITIONS.

26 The treasurer of state shall adopt rules to implement a  
27 targeted small business linked investments investment loan  
28 program to increase the availability of lower cost funds to  
29 inject needed capital into small businesses owned and operated  
30 by women or minorities, which is the public policy of the  
31 state. The rules shall be in accordance with the following:

32 1. "Targeted small business" means a business as defined  
33 in section 15.102, subsection 5.

34 2. ~~A-linked-investment-shall-only-be-approved-in~~  
35 ~~connection-with-a-loan-application-for-a~~ In order to qualify

1 as an eligible borrower, the targeted small business which-has  
2 been must be certified pursuant to section 10A.104, subsection  
3 8.

4 3. In order to qualify as an eligible borrower, the net  
5 worth of the targeted small business shall not exceed four  
6 hundred thousand dollars.

7 ~~3-~~ 4. Loan applications for a targeted small business  
8 shall be for business expenses, including, but not limited to,  
9 the purchase of land, machinery, equipment, or licenses, or  
10 patent, trademark, or copyright fees and-expenses.

11 5. Loan proceeds shall not be used to purchase land or  
12 buildings for use for rental housing, for medical facilities  
13 or buildings, or to refinance existing debt, including credit  
14 card debt. However, proceeds may be used to refinance a  
15 short-term bridge loan made in anticipation of the treasurer's  
16 approval of the linked investment loan package.

17 ~~4-~~ 6. The maximum size of a targeted small business loan  
18 is two one hundred fifty thousand dollars per borrower.

19 ~~5-~~ 7. A preference shall be given to those persons who are  
20 less able than other persons to secure funds for a targeted  
21 small business without participation in the targeted small  
22 business linked investment program.

23 Sec. 9. Sections 12.51 and 12.52, Code 1995, are repealed.

24 EXPLANATION

25 This bill provides that an eligible borrower under the  
26 linked investment program includes any person, corporation,  
27 cooperative, partnership, or municipality which is qualified  
28 to participate in a linked investment program. Currently,  
29 only persons who are in the business or entering the business  
30 of producing, processing, or marketing horticultural crops or  
31 nontraditional crops may be eligible borrowers. A linked  
32 investment certificate of deposit shall earn interest at not  
33 more than 2 percent below the market rate.

34 The bill also provides that linked investments by the  
35 treasurer of state are limited to 10 percent of the average

1 balance for the previous fiscal year of the pooled money  
2 investment fund (currently called the state pooled money  
3 fund). The bill also adds language that the treasurer may  
4 renew certificates of deposit under the program for up to  
5 eight one-year periods after the initial one-year period. In  
6 addition, the bill authorizes a preference for persons who are  
7 less able to secure funds without participation in the linked  
8 investment program and authorizes the treasurer to reject a  
9 linked investment package due to the unavailability of state  
10 funds, or a lack of compliance with program requirements by an  
11 eligible borrower or eligible lending institution.

12 The bill further prohibits under the various loan programs  
13 the use of linked investment loan proceeds for the purchase of  
14 land or buildings for rental housing, for medical facilities  
15 or buildings, or refinancing an existing debt, including  
16 credit card debt, and provides an exception for refinancing a  
17 loan made in anticipation of a linked investment loan being  
18 approved. Also, the bill provides that \$100,000 is the  
19 maximum amount which may be loaned under the horticultural and  
20 nontraditional crops program. Currently, the maximum size for  
21 a production loan is \$200,000 and the maximum size of a  
22 processing or marketing facilities loan is \$500,000. The bill  
23 also establishes a limit on the net worth of a targeted small  
24 business of \$400,000 in order to be eligible for a linked  
25 investment loan and provides that loans may be used for  
26 general business expenses, except refinancing debt or credit  
27 card debt. Targeted small business linked investment loans  
28 are limited to \$100,000. Currently targeted small business  
29 loans may be up to \$250,000.

30 The bill also repeals the main street linked investments  
31 loan program.

32  
33  
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35

HOUSE FILE 2397

AN ACT

RELATING TO LINKED INVESTMENTS AND ESTABLISHING AN EFFECTIVE DATE.

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

Section 1. Section 12.32, Code 1995, is amended to read as follows:

12.32 DEFINITIONS.

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

1. "Eligible borrower" means any person who is in the business or is entering the business of producing, processing, or marketing horticultural crops or nontraditional crops in this state or any person in this state who is qualified to participate in one of the programs in this division.

2. "Eligible lending institution" means a financial institution that is empowered to make commercial loans, and is eligible pursuant to chapter 12C to be a depository of state funds, and agrees to participate in the linked investments for tomorrow program.

3. "Linked investment" means a certificate of deposit placed pursuant to this division by the treasurer of state with an eligible lending institution, at an interest rate not more than three percent below current market rates on the condition that the institution agrees to lend the value of the deposit, according to the investment agreement provided in section ~~12.37~~ 12.35, to an eligible borrower at a rate not to exceed four percent above the rate paid on the certificate of deposit.

Sec. 2. Section 12.34, subsection 2, Code 1995, is amended to read as follows:

2. The treasurer shall adopt rules pursuant to chapter 17A to ~~implement administer~~ this division ~~including, but not limited to, rules identifying horticultural crops and nontraditional crops for which the linked investments may be loaned.~~

Sec. 3. Section 12.34, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 3. Certificates of deposit placed by the treasurer on or after July 1, 1996, pursuant to this division may be renewed at the option of the treasurer. The initial certificate of deposit for a given borrower shall have a maturity of one year and may be renewed for eight additional one-year periods.

Sec. 4. Section 12.35, Code 1995, is amended to read as follows:

12.35 APPLICATION.

1. An eligible lending institution that desires to receive a linked investment shall enter into an agreement with the treasurer of state, which shall include requirements necessary for the eligible lending institution to comply with this division.

~~1. 2. An eligible lending institution that desires to receive a linked investment shall accept and review applications for loans from eligible borrowers. The lending institution shall apply all usual lending standards to determine the credit-worthiness of each eligible borrower. Loan applications shall be for the purchase or lease of land, machinery, equipment, seed, fertilizer, direct marketing facilities, or new or expanding processing facilities for horticultural crops or nontraditional crops. The maximum size of a loan is two hundred thousand dollars per borrower for a production loan and five hundred thousand dollars for processing or marketing facilities.~~

2. 3. The eligible financial lending institution shall forward to the state treasurer of state a linked investment loan package in the form and manner as prescribed by the

treasurer of state. The package shall include information required by the treasurer of state, including but not limited to the amount of the loan requested and the purpose of the loan. The institution shall certify that the applicant is an eligible borrower ~~and shall certify the present borrowing rate applicable to the specific eligible borrower.~~

Sec. 5. Section 12.36, Code 1995, is amended to read as follows:

12.36 ACTIONS BY TREASURER ---AGREEMENT.

1. The treasurer of state shall accept or reject a linked investment loan package or any portion of the package based on the type or terms of the loan involved, the availability of state funds, or the compliance of the eligible borrower or eligible lending institution.

2. Upon acceptance of the linked investment loan package or any portion of the package, the treasurer of state shall place certificates of deposit with the eligible lending institution at a rate not more than three percent below the current market rate. ~~After July 17, 1992, the~~ The treasurer of state shall not place a certificate of deposit with an eligible lending institution pursuant to this division, unless the certificate of deposit earns a rate of interest of at least two percent. ~~When necessary, the treasurer may place certificates of deposit prior to acceptance of a linked investment loan package.~~ Interest earned on the certificate of deposit and principal not renewed shall be remitted to the treasurer of state at the time the certificate of deposit matures. Certificates of deposit placed pursuant to this division are not subject to a penalty for early withdrawal.

~~3. The eligible lending institution shall enter into an investment agreement with the treasurer of state, which shall include requirements necessary to carry out this division. The requirements shall reflect the market conditions prevailing in the eligible lending institution's lending area. The agreement may include a specification of the period of time in which the lending institution is to lend funds upon~~

~~the placement of a linked investment, and shall include provisions for the certificates of deposit to be placed for one-year maturities that may be renewed for eight additional one-year periods. Interest shall be paid at the times determined by the treasurer of state.~~

Sec. 6. Section 12.38, Code 1995, is amended to read as follows:

12.38 REPORTS.

By February 1 of each year, the treasurer of state shall report on the linked investments for tomorrow program, ~~the rural small business transfer linked investment loan program, the targeted small business linked investments program, and the main street linked investments loan program~~ programs for the preceding calendar year to the governor, the department of economic development, the speaker of the house of representatives, and the president of the senate. The speaker of the house shall transmit copies of this report to the house co-chair of the joint economic development appropriations subcommittee and the chairs of the standing committees in the house which customarily consider legislation regarding agriculture and commerce, and the president of the senate shall transmit copies of this report to the senate co-chair of the joint economic development appropriations subcommittee and the chairs of the standing committees in the senate which customarily consider legislation regarding agriculture and commerce. The report shall set forth the linked investments made by the treasurer of state under the program during the year, the total amount deposited, the number of deposits, and an estimate of foregone interest, and shall include information regarding the nature, terms, and amounts of the loans upon which the linked investments were based and the eligible borrowers to which the loans were made.

Sec. 7. Section 12.40, Code 1995, is amended to read as follows:

12.40 RURAL SMALL BUSINESS TRANSFER LINKED INVESTMENT LOAN PROGRAM.

1. As used in this section, "rural small business" means an existing rural small business, for which local competition does not exist in the principal realm of business activity of that business, and the loss of which will work a hardship on the rural community. A rural small business may include a grocery store, drug store, gasoline station, convenience store, hardware business, or farm supply store. A rural small business does not include a new business.

2. The treasurer of state shall adopt rules consistent with this division to implement a rural small business transfer linked investment loan program to further the following purposes:

a. ~~To promote the business prosperity and economic welfare of Iowa through promoting the prosperity and economic welfare of rural Iowa.~~

b. ~~To maintain and expand existing employment opportunities and the provision of retail goods on a local level in small rural communities by assisting in the transfer of ownership of retail-oriented businesses where, in the absence of sufficient financial assistance, the businesses may close.~~

3. ~~Upon the placement of linked investment moneys with an eligible lending institution, the institution is required to lend money to a person pursuant to rules adopted by the treasurer of state for the transfer of a rural small business.~~ The In order to qualify as an eligible borrower, the rural small business must be located in a city with a population of five thousand or less. A city located in a county with a population in excess of three hundred thousand, if the city is contiguous to another city in the county and that other city is contiguous to the largest city in that county, shall be considered as having a population in excess of five thousand ineligible to qualify as a borrower.

4. The In order to qualify as an eligible borrower, the transfer of the rural small business must be by purchase, lease-purchase, or contract of sale. The purchase must be for

a portion of the business which is essential to its continued viability, including real estate where the business is located, fixtures attached to the real estate, equipment relied upon by the business, and inventory for sale by the business.

~~5. The eligible lending institution shall apply all usual lending standards to determine the creditworthiness of each eligible borrower. The lending institution shall forward to the treasurer of state all information or any certification relating to the loan required and in a manner prescribed by this division and rules which shall be adopted by the treasurer of state.~~

6. 5. A In order to qualify as an eligible borrower, a borrower and the seller of the rural small business shall not be within the third degree of consanguinity or affinity.

6. Loan proceeds shall not be used to refinance existing debt, including credit card debt. However, proceeds may be used to refinance a short-term bridge loan made in anticipation of the treasurer's approval of the linked investment loan package.

7. The maximum loan amount that a borrower may receive under this program shall ~~not be more than~~ be fifty thousand dollars.

~~8. Not more than one-third of the amount of the percentage authorized in section 12.34 may be used for purposes of supporting this program and the main street linked investment loan program under section 12.51.~~

Sec. 8. NEW SECTION. 12.41 HORTICULTURAL AND NONTRADITIONAL CROPS LINKED INVESTMENT LOAN PROGRAM.

The treasurer of state shall adopt rules to implement a horticultural and nontraditional crops linked investment loan program to provide statewide availability of lower cost funds for lending that will stimulate existing or encourage new businesses in the areas of producing, processing, or marketing horticultural or nontraditional crops. The rules shall be in accordance with the following:

1. In order to qualify as an eligible borrower, the loan application shall be for the purchase or lease of land, machinery, equipment, or the purchase of other inputs used in the business of producing, processing, or marketing horticultural or nontraditional crops as defined by the treasurer.

2. Loan proceeds shall not be used to refinance existing debt, including credit card debt. However, proceeds may be used to refinance a short-term bridge loan made in anticipation of the treasurer's approval of the linked investment loan package.

3. The maximum loan amount that an eligible borrower may receive under this program is two hundred thousand dollars for a production loan and five hundred thousand dollars for processing or marketing facilities.

Sec. 9. The treasurer of state shall not place any new certificates of deposit for linked investments for the targeted small business linked investments program under section 12.43 between the effective date of this Act and June 30, 1997, unless the person for whom the linked investment is to be made has been certified by the department of inspections and appeals under section 10A.302 and has submitted to the treasurer of state a targeted small business borrower application by the effective date of this Act. Certificates of deposit placed prior to, or following the submission of a borrower application by a certified targeted small business by the effective date of this Act may be renewed in accordance with section 12.34.

Sec. 10. Certificates of deposit placed prior to the effective date of this Act or certificates of deposit placed on or after the effective date of this Act for persons who were certified under section 12.52 and who have submitted to the treasurer of state a main-street borrower application by the effective date of this Act, under the main street linked investments program may be renewed in accordance with section 12.34.

Sec. 11. Sections 12.51 and 12.52, Code 1995, are repealed.

Sec. 12. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

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RON J. CORBETT  
Speaker of the House

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LEONARD L. BOSWELL  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2397, Seventy-sixth General Assembly.

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ELIZABETH ISAACSON  
Chief Clerk of the House

Approved  , 1996

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TERRY E. BRANSTAD  
Governor