

S-3/29/95 Local Gov.  
S-4/6/95 Do Pass

MAR 13 1995  
Place On Calendar

HOUSE FILE 406  
BY COMMITTEE ON LOCAL GOVERNMENT

(SUCCESSOR TO HSB 193)

Passed House, <sup>(p.1010)</sup> Date 3/28/95 Passed Senate, Date 4/10/95 (p.1101)  
Vote: Ayes 92 Nays 0 Vote: Ayes 50 Nays 0  
Approved April 17, 1995

**A BILL FOR**

1 An Act relating to the investment of the proceeds of bond issues  
2 and other evidences of indebtedness and the use of earnings  
3 from the investment.

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

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HF 406

1 Section 1. Section 12C.7, subsection 2, Code 1995, is  
2 amended to read as follows:

3 2. Interest or earnings on investments and time deposits  
4 made in accordance with the provisions of sections 12.8,  
5 12B.10, 12C.1 and 12C.6 shall be credited to the general fund  
6 of the governmental body making the investment or deposit,  
7 with the exception of specific funds for which investments are  
8 otherwise provided by law, constitutional funds, or when  
9 legally diverted to the state sinking fund for public  
10 deposits. Funds so excepted shall receive credit for interest  
11 or earnings derived from such investments or time deposits  
12 made from such funds. ~~Such interest or earnings on any fund  
13 created by direct vote of the people shall be credited to the  
14 fund to retire any such indebtedness after which the fund  
15 itself shall be credited.~~

16 Sec. 2. Section 12C.9, Code 1995, is amended to read as  
17 follows:

18 12C.9 INVESTMENT OF SINKING FUNDS -- BOND PROCEEDS.

19 1. The treasurer of state and all other state agencies  
20 authorized to invest funds and the treasurer or other  
21 designated financial officer of each political subdivision ~~may~~  
22 including each school corporation shall invest the proceeds of  
23 public bonds or obligations notes, bonds, refunding bonds, and  
24 other evidences of indebtedness, and funds being accumulated  
25 for the payment of principal and interest or reserves in  
26 investments set out in section 12B.10, subsection 4,  
27 paragraphs "a" through "g", section 12B.10, subsection 5,  
28 paragraphs "a" through "g", an investment contract, or tax  
29 exempt bonds. The investment shall be as defined and  
30 permitted by section 148 of the Internal Revenue Code and  
31 applicable regulations under that section. An investment  
32 contract or tax exempt bonds shall be rated within the two  
33 highest classifications as established by at least one of the  
34 standard rating services approved by the superintendent of  
35 banking by rule adopted pursuant to chapter 17A.

1 2. Earnings and interest from investments pursuant to  
2 subsection 1 shall be used to pay the principal or interest as  
3 the principal or interest comes due on the indebtedness or to  
4 fund the construction of the project for which the  
5 indebtedness was issued, or shall be credited to the capital  
6 project fund for which the indebtedness was issued.

7 Sec. 3. REPEAL. Section 12C.14, Code 1995, is repealed.

8 EXPLANATION

9 This bill provides that the proceeds from the sale of  
10 notes, bonds, and other evidences of indebtedness shall be  
11 invested if not immediately needed and the interest earned  
12 shall be credited to the project fund for which the bonds were  
13 sold or used to reduce indebtedness.

14 The bill strikes section 12C.4 which provides separate  
15 provisions for the investment of proceeds from the issue of  
16 school corporation bonds. The school corporations are  
17 included with other political subdivisions of the state  
18 regarding the investment of idle funds or the proceeds of bond  
19 issues.

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HSB 193

LOCAL GOVERNMENT

SF/HF  
HOUSE FILE 406

BY (PROPOSED COMMITTEE ON  
LOCAL GOVERNMENT BILL  
BY CHAIRPERSON VANDE HOEF)

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

A BILL FOR

1 An Act relating to the investment of the proceeds of bond issues  
2 and the use of earnings from the investment.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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2 amended to read as follows:

3 2. Interest or earnings on investments and time deposits  
4 made in accordance with the provisions of sections 12.8,  
5 12B.10, 12C.1 and 12C.6 shall be credited to the general fund  
6 of the governmental body making the investment or deposit,  
7 with the exception of specific funds for which investments are  
8 otherwise provided by law, constitutional funds, or when  
9 legally diverted to the state sinking fund for public  
10 deposits. Funds so excepted shall receive credit for interest  
11 or earnings derived from such investments or time deposits  
12 made from such funds. ~~Such interest or earnings on any fund  
13 created by direct vote of the people shall be credited to the  
14 fund to retire any such indebtedness after which the fund  
15 itself shall be credited.~~

16 Sec. 2. Section 12C.14, Code 1995, is amended to read as  
17 follows:

18 12C.14 SCHOOL BONDS AND EARNINGS.

19 ~~The board of directors of a school corporation may invest~~  
20 ~~any portion of the~~ proceeds of bonds issued and not currently  
21 needed may be invested as provided in section 12B.10.

22 Earnings and interest from investments authorized by this  
23 section shall be used either to retire the authorized  
24 indebtedness or to be credited to a capital project fund for  
25 the purpose ~~of financing the construction or equipping of the~~  
26 ~~school building~~ for which the bonds were sold.

27 EXPLANATION

28 This bill provides that the proceeds from the sale of  
29 public bonds may be invested if not immediately needed and the  
30 interest earned be credited to the project fund for which the  
31 bonds were sold or to reduce bonded indebtedness.

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12B.10, 12C.1 and 12C.6 shall be credited to the general fund of the governmental body making the investment or deposit, with the exception of specific funds for which investments are otherwise provided by law, constitutional funds, or when legally diverted to the state sinking fund for public deposits. Funds so excepted shall receive credit for interest or earnings derived from such investments or time deposits made from such funds. ~~Such interest or earnings on any fund created by direct vote of the people shall be credited to the fund to retire any such indebtedness after which the fund itself shall be credited.~~

Sec. 2. Section 12C.9, Code 1995, is amended to read as follows:

12C.9 INVESTMENT OF SINKING FUNDS -- BOND PROCEEDS.

1. The treasurer of state and all other state agencies authorized to invest funds and the treasurer or other designated financial officer of each political subdivision may including each school corporation shall invest the proceeds of public bonds or obligations notes, bonds, refunding bonds, and other evidences of indebtedness, and funds being accumulated for the payment of principal and interest or reserves in investments set out in section 12B.10, subsection 4, paragraphs "a" through "g", section 12B.10, subsection 5, paragraphs "a" through "g", an investment contract, or tax exempt bonds. The investment shall be as defined and permitted by section 148 of the Internal Revenue Code and applicable regulations under that section. An investment contract or tax exempt bonds shall be rated within the two highest classifications as established by at least one of the standard rating services approved by the superintendent of banking by rule adopted pursuant to chapter 17A.

2. Earnings and interest from investments pursuant to subsection 1 shall be used to pay the principal or interest as the principal or interest comes due on the indebtedness or to fund the construction of the project for which the

HOUSE FILE 406

AN ACT

RELATING TO THE INVESTMENT OF THE PROCEEDS OF BOND ISSUES AND OTHER EVIDENCES OF INDEBTEDNESS AND THE USE OF EARNINGS FROM THE INVESTMENT.

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

Section 1. Section 12C.7, subsection 2, Code 1995, is amended to read as follows:

2. Interest or earnings on investments and time deposits made in accordance with the provisions of sections 12.8,

indebtedness was issued, or shall be credited to the capital project fund for which the indebtedness was issued.

Sec. 3. REPEAL. Section 12C.14, Code 1995, is repealed.

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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 406, Seventy-sixth General Assembly.

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ELIZABETH ISAACSON  
Chief Clerk of the House

Approved April 17, 1995

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TERRY E. BRANSTAD  
Governor