

(P. 173) 1-25-95 Small Business
(P. 235) 2-1-95 Do Pass
H-2/8/95 Economic Dev.
H-3-16-95 Do Pass

SENATE FILE 60
BY BLACK

(COMPANION TO LSB 1346HH
BY BELL)

Passed Senate, Date ^(P. 271) 2/7/95
Vote: Ayes 50 Nays 0
Approved _____

Passed House, Date ^(P. 1585) 4-13-95
Vote: Ayes 98 Nays 0

A BILL FOR

1 An Act relating to establishing a linked investment program for
2 speculative building development.

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

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S.F. 60

1 Section 1. NEW SECTION. 12.53 SPECULATIVE BUILDING DE-
2 VELOPMENT.

3 1. The treasurer of state shall establish a speculative
4 building development linked investment loan program to
5 increase the availability of lower cost funds for the
6 development of new or improved buildings built and owned by
7 local nonprofit development corporations to facilitate
8 economic development in the state.

9 2. For the purposes of this section, "nonprofit
10 development corporation" means a corporation organized under
11 chapter 504A for the purpose of encouraging or assisting
12 business or industrial development. The governing body of the
13 city or county where the property for the speculative building
14 is to be located shall adopt a resolution certifying to the
15 treasurer of state that the nonprofit development corporation
16 is qualified to participate in the speculative building
17 development linked investment loan program.

18 3. A linked investment loan shall only be approved in con-
19 nection with a loan application from a nonprofit development
20 corporation for the purchase of land or an existing building,
21 the improvement of an existing building, or the construction
22 of a new building and related property improvements.

23 4. The maximum size of a building development linked
24 investment loan is two hundred fifty thousand dollars per
25 borrower.

26 EXPLANATION

27 This bill establishes a linked investment program for non-
28 profit development corporations to increase the availability
29 of new or improved buildings for business and industrial
30 economic development. The bill sets the maximum loan at
31 \$250,000 and provides that the city or county in which the
32 property for a speculative building is located certify that
33 the nonprofit development corporation is qualified to
34 participate in the program.

35

**SENATE FILE 60
FISCAL NOTE**

A fiscal note for **Senate File 60** 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.

Senate File 60 requires the Treasurer of State to establish a speculative building development linked investment loan program to increase the availability of lower cost funds for the development of new or improved buildings built and owned by local nonprofit development corporations to facilitate economic development in the State.

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 can not be more than 4.0% above the interest rate of the deposit.

The project must fit the requirements of one of the four programs currently eligible for participation. These programs include:

- The Targeted Small Business Program
- The Horticulture and Alternative Crops Program
- The Main Street Program
- The Rural Small Business Transfer Program

Fiscal Impact

The FY 1997 fiscal impact would be reduced interest earned due to a lower interest rate for this program than would be otherwise received. The following reflects the amount of interest lost yearly based on three different interest rates and two different loan amounts.

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<u>Principle</u>	<u>Interest Rate</u>	<u>Annual Interest</u>	<u>Difference</u>
\$250,000	*MR 7%	\$17,500	\$(7,500)
	**LIR 4%	10,000	
100,000	MR 7%	7,000	(3,000)
	LIR 4%	4,000	
250,000	MR 6%	15,000	(7,500)
	LIR 3%	7,500	
100,000	MR 6%	6,000	(3,000)
	LIR 3%	3,000	
250,000	MR 5%	12,500	(7,500)
	LIR 2%	5,000	
100,000	MR 5%	5,000	(3,000)
	LIR 2%	2,000	

*Market Rate Examples for Treasury Bills
 **Linked Investment Rate Reduction

The number and dollar amounts of loans granted under the proposed program can not be determined; however, information concerning current programs as of December 31, 1995, is as follows:

<u>Program</u>	<u>Total Deposited</u>	<u>Number of Deposits</u>	<u>Estimated Foregone Interest</u>
Targeted Small Business	\$46,132,260	840	\$1,205,922
Hort. & Alternative Crops	13,480,965	365	352,400
Main Street	36,100	2	944
Rural Small Business	<u>1,107,538</u>	<u>28</u>	<u>28,952</u>
Total	<u>\$60,756,863</u>	<u>1,235</u>	<u>\$1,588,218</u>

Sources: Treasurer's Office

(LSB 1346ss.2, LDC)

FILED JANUARY 30, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

**SENATE FILE 60
FISCAL NOTE**

A fiscal note for Senate File 60 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.

Senate File 60 requires the Treasurer of State to establish a speculative building development linked investment loan program to increase the availability of lower cost funds for the development of new or improved buildings built and owned by local nonprofit development corporations to facilitate economic development in the State.

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 can not be more than 4.0% above the interest rate of the deposit.

The project must fit the requirements of one of the four programs currently eligible for participation. These programs include:

- The Targeted Small Business Program
- The Horticulture and Alternative Crops Program
- The Main Street Program
- The Rural Small Business Transfer Program

Fiscal Impact

This legislation would have no fiscal impact in FY 1996 due to the time necessary to set up and coordinate the program.

The fiscal impact in FY 1997 would consist of interest lost due to funds receiving a lower interest rate when being utilized for this program than would be received otherwise. As interest rates change daily, scenarios are given below showing the amount of interest lost yearly based on three different interest rates and two different loan amounts.

<u>Principle</u>	<u>Interest Rate</u>	<u>Annual Interest</u>	<u>Difference</u>
\$250,000	*MR 7%	\$17,500	\$(7,500)
	**LIR 4%	10,000	
100,000	MR 7%	7,000	(3,000)
	LIR 4%	4,000	

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250,000	MR	6%	15,000	(7,500)
	LIR	3%	7,500	
100,000	MR	6%	6,000	(3,000)
	LIR	3%	3,000	
250,000	MR	5%	12,500	(7,500)
	LIR	2%	5,000	
100,000	MR	5%	5,000	(3,000)
	LIR	2%	2,000	

*Market Rate Examples for Treasury Bills

**Linked Investment Rate Reduction

The number and dollar amounts of loans granted under the proposed program can not be determined; however, historical information concerning current programs is as follows:

<u>Program</u>	<u>Total Deposited</u>	<u>Number of Deposits</u>	<u>Estimated Foregone Interest</u>
Targeted Small Business	\$31,152,927	655	\$861,566
Hort. & Alternative Crops	14,025,301	376	414,668
Main Street	41,813	2	1,255
Rural Small Business	<u>796,937</u>	<u>19</u>	<u>19,297</u>
Total	\$46,016,978	1,052	\$1,296,786

(LSB 1346SS, LDC)

FILED FEBRUARY 6, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 60

H-3891

1 Amend Senate File 60, as passed by the Senate, as
2 follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. Section 12.32, Code 1995, is amended
6 to read as follows:
7 12.32 DEFINITIONS.

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

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

16 2. "Eligible lending institution" means a
17 financial institution that is empowered to make
18 commercial loans, and is eligible pursuant to chapter
19 12C to be a depository of state funds, ~~and agrees to~~
20 ~~participate in the linked investments for tomorrow~~
21 ~~program.~~

22 3. "Linked investment" means a certificate of
23 deposit placed pursuant to this division by the
24 treasurer of state with an eligible lending
25 institution, at an interest rate not more than three
26 two percent below current market rates on the
27 condition that the institution agrees to lend the
28 value of the deposit, according to the investment
29 agreement provided in section ~~12:37~~ 12.35, to an
30 eligible borrower at a rate not to exceed four percent
31 above the rate paid on the certificate of deposit.

32 Sec. . Section 12.34, Code 1995, is amended to
33 read as follows:

34 12.34 LINKED INVESTMENTS -- LIMITATIONS.

35 1. The treasurer of state may invest up to ten
36 percent of the ~~balance of the state pooled money fund~~
37 average balance of the pooled money investment fund
38 for the previous fiscal year in certificates of
39 deposit in eligible lending institutions pursuant to
40 this division.

41 2. Certificates of deposit placed by the treasurer
42 on or after July 1, 1995, pursuant to this division
43 may be renewed at the option of the treasurer but the
44 length of time from the beginning of the initial
45 certificate of deposit for a given borrower until the
46 maturity of the final renewal shall not exceed six
47 years.

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

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1 program.

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

7 Sec. ____ . Section 12.35, Code 1995, is amended to
8 read as follows:

9 12.35 APPLICATION.

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

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

30 2- 3. The eligible financial institution shall
31 forward to the state treasurer of state a linked
32 investment loan package in the form and manner as
33 prescribed by the treasurer of state. The package
34 shall include information required by the treasurer of
35 state, including but not limited to the amount of the
36 loan requested and the purpose of the loan. The
37 institution shall certify that the applicant is an
38 eligible borrower ~~and shall certify the present~~
39 ~~borrowing rate applicable to the specific eligible~~
40 ~~borrower.~~

41 Sec. ____ . Section 12.36, Code 1995, is amended to
42 read as follows:

43 12.36 ACTIONS BY TREASURER ---AGREEMENT.

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

50 2. Upon acceptance of the linked investment loan

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

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

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

36 12.38 REPORTS.

37 By February 1 of each year, the treasurer of state
38 shall report on the linked investments for tomorrow
39 ~~program, the rural small business transfer linked~~
40 ~~investment loan program, the targeted small business~~
41 ~~linked investments program, and the main street linked~~
42 ~~investments loan program programs~~ for the preceding
43 calendar year to the governor, the department of
44 economic development, the speaker of the house of
45 representatives, and the president of the senate. The
46 speaker of the house shall transmit copies of this
47 report to the house co-chair of the the joint economic
48 development appropriations subcommittee and the chairs
49 of the standing committees in the house which
50 customarily consider legislation regarding agriculture

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1 and commerce, and the president of the senate shall
2 transmit copies of this report to the senate co-chair
3 of the joint economic development appropriations
4 subcommittee and the chairs of the standing committees
5 in the senate which customarily consider legislation
6 regarding agriculture and commerce. The report shall
7 set forth the linked investments made by the treasurer
8 of state under the program during the year, the date
9 of the investments, the total amount deposited, the
10 number of deposits, and an estimate of foregone
11 interest, the borrowing rate applicable to each
12 borrower, and shall include information regarding the
13 nature, terms, and amounts of the loans upon which the
14 linked investments were based and the eligible
15 borrowers to which the loans were made.

16 Sec. ____ . Section 12.40, Code 1995, is amended to
17 read as follows:

18 12.40 RURAL SMALL BUSINESS TRANSFER LINKED
19 INVESTMENT LOAN PROGRAM.

20 The treasurer of state shall adopt rules consistent
21 with this division to implement a rural small business
22 transfer linked investment loan program to maintain
23 and expand existing employment opportunities and the
24 provision of retail goods in small rural communities
25 by assisting in the transfer of ownership of retail-
26 oriented businesses which, in the absence of
27 sufficient financial assistance, may close. The rules
28 shall be in accordance with the following:

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

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

43 ~~---a---To promote the business prosperity and economic~~
44 ~~welfare of Iowa through promoting the prosperity and~~
45 ~~economic welfare of rural Iowa;~~

46 ~~---b---To maintain and expand existing employment~~
47 ~~opportunities and the provision of retail goods on a~~
48 ~~local level in small rural communities by assisting in~~
49 ~~the transfer of ownership of retail-oriented~~
50 ~~businesses where, in the absence of sufficient~~

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~~1 financial assistance, the businesses may close.~~
~~2 3- 2. Upon the placement of linked investment~~
~~3 moneys with an eligible lending institution, the~~
~~4 institution is required to lend money to a person~~
~~5 pursuant to rules adopted by the treasurer of state~~
~~6 for the transfer of a rural small business. The In~~
~~7 order to qualify as an eligible borrower, the rural~~
~~8 small business must be located in a city with a~~
~~9 population of five thousand or less. A city located~~
~~10 in a county with a population in excess of three~~
~~11 hundred thousand, if the city is contiguous to another~~
~~12 city in the county and that other city is contiguous~~
~~13 to the largest city in that county, shall be~~
~~14 considered as having a population in excess of five~~
~~15 thousand ineligible to qualify as a borrower.~~

~~16 4- 3. The In order to qualify as an eligible~~
~~17 borrower, the transfer of the rural small business~~
~~18 must be by purchase, lease-purchase, or contract of~~
~~19 sale. The purchase must be for a portion of the~~
~~20 business which is essential to its continued~~
~~21 viability, including real estate where the business is~~
~~22 located, fixtures attached to the real estate,~~
~~23 equipment relied upon by the business, and inventory~~
~~24 for sale by the business.~~

~~25 5- The eligible lending institution shall apply~~
~~26 all usual lending standards to determine the~~
~~27 creditworthiness of each eligible borrower. The~~
~~28 lending institution shall forward to the treasurer of~~
~~29 state all information or any certification relating to~~
~~30 the loan required and in a manner prescribed by this~~
~~31 division and rules which shall be adopted by the~~
~~32 treasurer of state.~~

~~33 6- 4. A In order to qualify as an eligible~~
~~34 borrower, a borrower and the seller of the rural small~~
~~35 business shall not be within the third degree of~~
~~36 consanguinity or affinity.~~

~~37 5. Loan proceeds shall not be used to refinance~~
~~38 existing debt, including credit card debt. However,~~
~~39 proceeds may be used to refinance a short-term bridge~~
~~40 loan made in anticipation of the treasurer's approval~~
~~41 of the linked investment loan package.~~

~~42 7- 6. The maximum loan amount that a borrower may~~
~~43 receive under this program shall not be more than be~~
~~44 fifty thousand dollars.~~

~~45 8- Not more than one-third of the amount of the~~
~~46 percentage authorized in section 12.34 may be used for~~
~~47 purposes of supporting this program and the main~~
~~48 street-linked investment loan program under section~~
~~49 12.51.~~

50 Sec. ____ . NEW SECTION. 12.41 HORTICULTURAL AND

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1 NONTRADITIONAL CROPS LINKED INVESTMENT LOAN PROGRAM.

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

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

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

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

24 Sec. ____ . Section 12.43, Code 1995, is amended to
25 read as follows:

26 12.43 TARGETED SMALL BUSINESS LINKED INVESTMENTS
27 LOAN PROGRAM CREATED----DEFINITIONS.

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

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

37 2. ~~A-linked-investment-shall-only-be-approved-in~~
38 ~~connection-with-a-loan-application-for-a~~ In order to
39 qualify as an eligible borrower, the targeted small
40 business which has been must be certified pursuant to
41 section 10A.104, subsection 8.

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

45 ~~3-~~ 4. Loan applications for a targeted small
46 business shall be for business expenses, including,
47 but not limited to, the purchase of land, machinery,
48 equipment, or licenses, or patent, trademark, or
49 copyright fees and expenses.

50 5. Loan proceeds shall not be used to refinance

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1 existing debt, including credit card debt. However,
2 proceeds may be used to refinance a short-term bridge
3 loan made in anticipation of the treasurer's approval
4 of the linked investment loan package.

5 ~~4~~ 6. The maximum size of a targeted small
6 business loan is two hundred fifty thousand dollars
7 per borrower."

8 2. Page 1, by inserting after line 25 the
9 following:

10 "Sec. ____ . Sections 12.33, 12.51, and 12.52, Code
11 1995, are repealed."

12 3. Title page, line 1, by inserting after the
13 word "to" the following: "the linked investments for
14 tomorrow Act, including who may be an eligible
15 borrower, limitation on the amount which may be
16 invested by the treasurer of state, program criteria
17 under the Act and".

18 4. By renumbering as necessary.

By METCALF of Polk

H-3891 FILED APRIL 11, 1995

Adapted 4-13-95
(P.1555)

SENATE FILE 60

H-3900

1 Amend the amendment, H-3891, to Senate File 60, as
2 passed by the Senate, as follows:

3 1. Page 7, by inserting after line 7 the
4 following:

5 "5. 7. A preference shall be given to those
6 persons who are less able than other persons to secure
7 funds for a targeted small business without
8 participation in the targeted small business linked
9 investment program."

By METCALF of Polk

H-3900 FILED APRIL 12, 1995

Adapted 4-13-95

(P.1555)

HOUSE AMENDMENT TO
SENATE FILE 60

S-3420

1 Amend Senate File 60, as passed by the Senate, as
2 follows:

3 1. Page 1, by inserting before line 1 the
4 following:

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

7 12.32. DEFINITIONS.

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

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

16 2. "Eligible lending institution" means a
17 financial institution that is empowered to make
18 commercial loans, and is eligible pursuant to chapter
19 12C to be a depository of state funds, and agrees to
20 participate in the linked investments for tomorrow
21 program.

22 3. "Linked investment" means a certificate of
23 deposit placed pursuant to this division by the
24 treasurer of state with an eligible lending
25 institution, at an interest rate not more than **three**
26 **two** percent below current market rates on the
27 condition that the institution agrees to lend the
28 value of the deposit, according to the investment
29 agreement provided in section ~~12-37~~ 12.35, to an
30 eligible borrower at a rate not to exceed four percent
31 above the rate paid on the certificate of deposit.

32 Sec. ____ . Section 12.34, Code 1995, is amended to
33 read as follows:

34 12.34 LINKED INVESTMENTS -- LIMITATIONS.

35 1. The treasurer of state may invest up to ten
36 percent of the ~~balance of the state pooled money fund~~
37 average balance of the pooled money investment fund
38 for the previous fiscal year in certificates of
39 deposit in eligible lending institutions pursuant to
40 this division.

41 2. Certificates of deposit placed by the treasurer
42 on or after July 1, 1995, pursuant to this division
43 may be renewed at the option of the treasurer but the
44 length of time from the beginning of the initial
45 certificate of deposit for a given borrower until the
46 maturity of the final renewal shall not exceed six
47 years.

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

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1 program.

2 ~~2. 4.~~ The treasurer shall adopt rules pursuant to
3 chapter 17A to implement this division including, but
4 not limited to, rules identifying horticultural crops
5 and nontraditional crops for which the linked
6 investments may be loaned.

7 Sec. ____ . Section 12.35, Code 1995, is amended to
8 read as follows:

9 12.35 APPLICATION.

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

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

30 2. 3. The eligible financial institution shall
31 forward to the state treasurer of state a linked
32 investment loan package in the form and manner as
33 prescribed by the treasurer of state. The package
34 shall include information required by the treasurer of
35 state, including but not limited to the amount of the
36 loan requested and the purpose of the loan. The
37 institution shall certify that the applicant is an
38 eligible borrower and shall certify the present
39 borrowing rate applicable to the specific eligible
40 borrower.

41 Sec. ____ . Section 12.36, Code 1995, is amended to
42 read as follows:

43 12.36 ACTIONS BY TREASURER ---AGREEMENT.

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

50 2. Upon acceptance of the linked investment loan

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

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

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

36 12.38 REPORTS.

37 By February 1 of each year, the treasurer of state
38 shall report on the linked investments for tomorrow
39 program, ~~the rural small business transfer linked~~
40 ~~investment loan program, the targeted small business~~
41 ~~linked investments program, and the main street linked~~
42 ~~investments loan program~~ programs for the preceding
43 calendar year to the governor, the department of
44 economic development, the speaker of the house of
45 representatives, and the president of the senate. The
46 speaker of the house shall transmit copies of this
47 report to the house co-chair of the the joint economic
48 development appropriations subcommittee and the chairs
49 of the standing committees in the house which
50 customarily consider legislation regarding agriculture

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1 and commerce, and the president of the senate shall
 2 transmit copies of this report to the senate co-chair
 3 of the joint economic development appropriations
 4 subcommittee and the chairs of the standing committees
 5 in the senate which customarily consider legislation
 6 regarding agriculture and commerce. The report shall
 7 set forth the linked investments made by the treasurer
 8 of state under the program during the year, the date
 9 of the investments, the total amount deposited, the
 10 number of deposits, and an estimate of foregone
 11 interest, the borrowing rate applicable to each
 12 borrower, and shall include information regarding the
 13 nature, terms, and amounts of the loans upon which the
 14 linked investments were based and the eligible
 15 borrowers to which the loans were made.

16 Sec. ____ . Section 12.40, Code 1995, is amended to
 17 read as follows:

18 12.40 RURAL SMALL BUSINESS TRANSFER LINKED
 19 INVESTMENT LOAN PROGRAM.

20 The treasurer of state shall adopt rules consistent
 21 with this division to implement a rural small business
 22 transfer linked investment loan program to maintain
 23 and expand existing employment opportunities and the
 24 provision of retail goods in small rural communities
 25 by assisting in the transfer of ownership of retail-
 26 oriented businesses which, in the absence of
 27 sufficient financial assistance, may close. The rules
 28 shall be in accordance with the following:

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

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

43 ~~---a---To-promote-the-business-prosperity-and-economic~~
 44 ~~welfare-of-iowa-through-promoting-the-prosperity-and~~
 45 ~~economic-welfare-of-rural-iowa.~~

46 ~~---b---To-maintain-and-expand-existing-employment~~
 47 ~~opportunities-and-the-provision-of-retail-goods-on-a~~
 48 ~~local-level-in-small-rural-communities-by-assisting-in~~
 49 ~~the-transfer-of-ownership-of-retail-oriented~~
 50 ~~businesses-where, in the absence of sufficient~~

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~~1 financial-assistance, the businesses may close.~~
~~2 3. 2. Upon the placement of linked investment~~
~~3 moneys with an eligible lending institution, the~~
~~4 institution is required to lend money to a person~~
~~5 pursuant to rules adopted by the treasurer of state~~
~~6 for the transfer of a rural small business. The In~~
~~7 order to qualify as an eligible borrower, the rural~~
~~8 small business must be located in a city with a~~
~~9 population of five thousand or less. A city located~~
~~10 in a county with a population in excess of three~~
~~11 hundred thousand, if the city is contiguous to another~~
~~12 city in the county and that other city is contiguous~~
~~13 to the largest city in that county, shall be~~
~~14 considered as having a population in excess of five~~
~~15 thousand ineligible to qualify as a borrower.~~

~~16 4. 3. The In order to qualify as an eligible~~
~~17 borrower, the transfer of the rural small business~~
~~18 must be by purchase, lease-purchase, or contract of~~
~~19 sale. The purchase must be for a portion of the~~
~~20 business which is essential to its continued~~
~~21 viability, including real estate where the business is~~
~~22 located, fixtures attached to the real estate,~~
~~23 equipment relied upon by the business, and inventory~~
~~24 for sale by the business.~~

~~25 5. The eligible lending institution shall apply~~
~~26 all usual lending standards to determine the~~
~~27 creditworthiness of each eligible borrower. The~~
~~28 lending institution shall forward to the treasurer of~~
~~29 state all information or any certification relating to~~
~~30 the loan required and in a manner prescribed by this~~
~~31 division and rules which shall be adopted by the~~
~~32 treasurer of state.~~

~~33 6. 4. A In order to qualify as an eligible~~
~~34 borrower, a borrower and the seller of the rural small~~
~~35 business shall not be within the third degree of~~
~~36 consanguinity or affinity.~~

~~37 5. Loan proceeds shall not be used to refinance~~
~~38 existing debt, including credit card debt. However,~~
~~39 proceeds may be used to refinance a short-term bridge~~
~~40 loan made in anticipation of the treasurer's approval~~
~~41 of the linked investment loan package.~~

~~42 7. 6. The maximum loan amount that a borrower may~~
~~43 receive under this program shall not be more than be~~
~~44 fifty thousand dollars.~~

~~45 8. Not more than one-third of the amount of the~~
~~46 percentage authorized in section 12.34 may be used for~~
~~47 purposes of supporting this program and the main~~
~~48 street-linked investment loan program under section~~
~~49 12.51.~~

50 Sec. ____ . NEW SECTION. 12.41 HORTICULTURAL AND

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1 NONTRADITIONAL CROPS LINKED INVESTMENT LOAN PROGRAM.

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

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

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

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

24 Sec. ____ . Section 12.43, Code 1995, is amended to
25 read as follows:

26 12.43 TARGETED SMALL BUSINESS LINKED INVESTMENTS
27 LOAN PROGRAM CREATED---DEFINITIONS.

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

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

37 2. ~~A-linked-investment-shall-only-be-approved-in~~
38 ~~connection-with-a-loan-application-for-a~~ In order to
39 qualify as an eligible borrower, the targeted small
40 business which has been must be certified pursuant to
41 section 10A.104, subsection 8.

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

45 ~~3-~~ 4. Loan applications for a targeted small
46 business shall be for business expenses, including,
47 but not limited to, the purchase of land, machinery,
48 equipment, or licenses, or patent, trademark, or
49 copyright fees and expenses.

50 5. Loan proceeds shall not be used to refinance

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1 existing debt, including credit card debt. However,
2 proceeds may be used to refinance a short-term bridge
3 loan made in anticipation of the treasurer's approval
4 of the linked investment loan package.

5 4. 6. The maximum size of a targeted small
6 business loan is two hundred fifty thousand dollars
7 per borrower."

8 5. 7. A preference shall be given to those persons
9 who are less able than other persons to secure funds
10 for a targeted small business without participation in
11 the targeted small business linked investment
12 program."

13 2. Page 1, by inserting after line 25 the
14 following:

15 "Sec. ____ . Sections 12.33, 12.51, and 12.52, Code
16 1995, are repealed."

17 3. Title page, line 1, by inserting after the
18 word "to" the following: "the linked investments for
19 tomorrow Act, including who may be an eligible
20 borrower, limitation on the amount which may be
21 invested by the treasurer of state, program criteria
22 under the Act and".

23 4. By renumbering as necessary.

RECEIVED FROM THE HOUSE

S-3420 FILED APRIL 13, 1995