

FEB 10 1997  
APPROPRIATIONS CALENDAR

HOUSE FILE 191  
BY COMMITTEE ON APPROPRIATIONS

*5-2/13/97 Approp.  
5-2/18/97 Do Pass  
5-2/19/97 Referred to Nat. Res.*

(SUCCESSOR TO HSB 27)

Passed House, Date 2-13-97 <sup>(P. 302)</sup> Passed Senate, <sup>(P. 444)</sup> Date 3/3/97  
Vote: Ayes 97 Nays 0 Vote: Ayes 46 Nays 0  
Approved March 7, 1997

A BILL FOR

1 An Act relating to the establishment of the drinking water  
2 facilities financing program, the drinking water treatment  
3 revolving loan fund, the drinking water facilities  
4 administration fund, and providing an effective date.

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

- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24

*HF 191*

1 Section 1. Section 16.131, Code 1997, is amended to read  
2 as follows:

3 16.131 IOWA SEWAGE TREATMENT WORKS AND DRINKING WATER  
4 FACILITIES FINANCING PROGRAM -- DEFINITIONS -- FUNDING --  
5 BONDS AND NOTES.

6 1. The authority shall cooperate with the department of  
7 natural resources in the creation, administration, and  
8 financing of the Iowa sewage treatment works and drinking  
9 water facilities financing program established in sections  
10 455B.291 through 455B.299.

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

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

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

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

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

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

9 d. Other terms and conditions as deemed necessary or  
10 appropriate by the authority.

11 5. The powers granted the authority under this section are  
12 in addition to other powers contained in this chapter. All  
13 other provisions of this chapter, except section 16.28,  
14 subsection 4, apply to bonds or notes issued and powers  
15 granted to the authority under this section except to the  
16 extent they are inconsistent with this section.

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

21 Sec. 2. Section 16.132, subsection 1, paragraphs c and d,  
22 Code 1997, are amended to read as follows:

23 c. The amounts on deposit in the revolving loan fund  
24 funds.

25 d. The amounts payable to the department by municipalities  
26 or water systems pursuant to loan agreements with  
27 municipalities or water systems.

28 Sec. 3. Section 16.132, subsection 5, Code 1997, is  
29 amended to read as follows:

30 5. The bonds or notes issued by the authority are not an  
31 indebtedness or other liability of the state or of a political  
32 subdivision of the state within the meaning of any  
33 constitutional or statutory debt limitations but are special  
34 obligations of the authority, and are payable solely from the  
35 income and receipts or other funds or property of the

1 department, and the amounts on deposit in the revolving loan  
2 fund funds, and the amounts payable to the department under  
3 its loan agreements with the municipalities and water systems  
4 to the extent that the amounts are designated in the  
5 resolution, trust agreement, or other instrument of the  
6 authority authorizing the issuance of the bonds or notes as  
7 being available as security for such bonds or notes. The  
8 authority shall not pledge the faith or credit of the state or  
9 of a political subdivision of the state to the payment of any  
10 bonds or notes. The issuance of any bonds or notes by the  
11 authority does not directly, indirectly, or contingently  
12 obligate the state or a political subdivision of the state to  
13 apply money from, or levy or pledge any form of taxation  
14 whatever to the payment of the bonds or notes.

15 Sec. 4. Section 16.132, subsection 6, Code 1997, is  
16 amended to read as follows:

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

31 Sec. 5. Section 455B.177, subsection 2, Code 1997, is  
32 amended to read as follows:

33 2. The general assembly further finds and declares that  
34 because the federal Safe Drinking Water Act, Pub. ~~L. No. 93-~~  
35 523 42 U.S.C. § 300f et seq., as amended by Pub. L. No. 104-

1 182, provides for the implementation of said the Act by states  
2 which have adequate authority to do so, it is in the interest  
3 of the people of Iowa to implement the provisions of the  
4 federal Safe Drinking Water Act and federal regulations and  
5 guidelines issued pursuant thereto to the Act.

6 Sec. 6. Section 455B.183, subsection 1, Code 1997, is  
7 amended to read as follows:

8 1. The construction, installation, or modification of any  
9 disposal system or public water supply system or part thereof  
10 or any extension or addition thereto except those sewer  
11 extensions and water supply distribution system extensions  
12 that are subject to review and approval by a city or county  
13 public works department pursuant to this section and private  
14 sewage disposal systems. A Unless federal law or regulation  
15 requires the review and approval of plans and specifications,  
16 a permit shall be issued for the construction, installation,  
17 or modification of a public water supply system or part of a  
18 system if a qualified, registered engineer certifies to the  
19 department that the plans for the system or part of the system  
20 meet the requirements of state and federal law or regulations.  
21 The permit shall state that approval is based only upon the  
22 engineer's certification that the system's design meets the  
23 requirements of all applicable state and federal laws and  
24 regulations and the review of the department shall be  
25 advisory.

26 Sec. 7. Section 455B.291, Code 1997, is amended to read as  
27 follows:

28 455B.291 DEFINITIONS.

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

31 1. "Administrative funds" means the sewage treatment works  
32 administration fund and the drinking water facilities  
33 administration fund.

34 2. "Authority" means the Iowa finance authority  
35 established in section 16.2.

1     2 3. "Clean Water Act" means the federal Water Pollution  
2 Control Act of 1972, Pub. L. No. 92-500, as amended by the  
3 Water Quality Act of 1987, Pub. L. No. 100-4, as published in  
4 33 U.S.C. § 1251--1376.

5     3 4. "Cost" means all costs, charges, expenses, or other  
6 indebtedness incurred by a municipality or water system and  
7 determined by the director as reasonable and necessary for  
8 carrying out all works and undertakings necessary or  
9 incidental to the accomplishment of any project.

10     5. "Drinking water facilities administration fund" means  
11 the drinking water facilities administration fund established  
12 in section 455B.295.

13     6. "Drinking water treatment revolving loan fund" means  
14 the drinking water treatment revolving loan fund established  
15 in section 455B.295.

16     4 7. "Municipality" means a city, county, sanitary  
17 district, state agency, or other governmental body or  
18 corporation empowered to provide sewage collection and  
19 treatment services, or any combination of two or more of the  
20 governmental bodies or corporations acting jointly, in  
21 connection with a project.

22     5 8. "Program" means the Iowa sewage treatment works and  
23 drinking water facilities financing program created pursuant  
24 to section 455B.294.

25     6 9. "Project" means one of the following:

26     a. In the context of sewage treatment facilities, the  
27 acquisition, construction, reconstruction, extension,  
28 equipping, improvement, or rehabilitation of any works and  
29 facilities useful for the collection, treatment, and disposal  
30 of sewage and industrial waste in a sanitary manner including  
31 treatment works as defined in section 212 of the Clean Water  
32 Act, or the implementation and development of management  
33 programs established under sections 319 and 320 of the Clean  
34 Water Act.

35     b. In the context of drinking water facilities, the

1 acquisition, construction, reconstruction, extending,  
2 remodeling, improving, repairing, or equipping of waterworks,  
3 water mains, extensions, or treatment facilities useful for  
4 providing potable water to residents served by a water system,  
5 including the acquisition of real property needed for any of  
6 the foregoing purposes, and such other programs as may be  
7 authorized under the Safe Drinking Water Act.

8     10. "Revolving loan funds" means the sewage treatment  
9 works revolving loan fund and the drinking water treatment  
10 revolving loan fund.

11     11. "Safe Drinking Water Act" means Title XIV of the  
12 federal Public Health Service Act, commonly known as the "Safe  
13 Drinking Water Act", 42 U.S.C. § 300f et seq., as amended by  
14 the Safe Drinking Water Amendments of 1996, Pub. L. No. 104-  
15 182.

16     7 12. "Sewage treatment works administration fund" or  
17 "administration-fund" means the sewage treatment works  
18 administration fund established in section 455B.295.

19     8 13. "Sewage treatment works revolving loan fund" or  
20 "revolving-loan-fund" means the sewage treatment works  
21 revolving loan fund established in section 455B.295.

22     14. "Water system" means any community water system or  
23 nonprofit noncommunity water system, each as defined in the  
24 Safe Drinking Water Act, that is eligible under the rules of  
25 the department to receive a loan under the program for the  
26 purposes of undertaking a project.

27     Sec. 8. Section 455B.292, Code 1997, is amended to read as  
28 follows:

29     455B.292 FINDINGS.

30     The general assembly finds that the proper construction,  
31 rehabilitation, operation, and maintenance of modern and  
32 efficient ~~sewer-systems-and~~ wastewater treatment works and  
33 drinking water facilities are essential to protecting and  
34 improving the state's water quality and the health of its  
35 citizens; that protecting and improving water quality is an

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

14 Sec. 9. Section 455B.293, Code 1997, is amended to read as  
15 follows:

16 455B.293 POLICY.

17 It is the policy of the general assembly that it is in the  
18 public interest to establish a sewage treatment works and  
19 drinking water facilities financing program and a revolving  
20 loan fund funds and administration fund funds to make loans  
21 available from the state to municipalities ~~to-acquire,~~  
22 ~~construct,-reconstruct,-extend,-equip,-and-improve-works-and~~  
23 ~~facilities-useful-for-the-collection,-treatment,-and-disposal~~  
24 ~~of-sewage-and-industrial-waste-in-a-sanitary-manner~~ and water  
25 systems for the purpose of undertaking projects. This section  
26 shall be broadly construed to effect and accomplish that  
27 purpose.

28 Sec. 10. Section 455B.294, Code 1997, is amended to read  
29 as follows:

30 455B.294 ESTABLISHMENT OF THE IOWA SEWAGE TREATMENT WORKS  
31 AND DRINKING WATER FACILITIES FINANCING PROGRAM.

32 The Iowa sewage treatment works and drinking water  
33 facilities financing program is established for the purpose of  
34 making loans available to municipalities and water systems to  
35 finance all or part of the costs of projects. The program



1 shall be a joint and cooperative undertaking of the department  
2 and the authority. The department and the authority may enter  
3 into and provide any agreements, documents, instruments,  
4 certificates, data, or information necessary in connection  
5 with the operation, administration, and financing of the  
6 program consistent with this part, the Safe Drinking Water  
7 Act, the Clean Water Act, the rules of the department and the  
8 commission, the rules of the authority, and state law. The  
9 authority and the department may act to conform the program to  
10 the applicable guidance and regulations adopted by the United  
11 States environmental protection agency.

12 Sec. 11. Section 455B.295, Code 1997, is amended to read  
13 as follows:

14 455B.295 FUNDS AND ACCOUNTS.

15 1. ~~Two~~ Four separate funds are established in the state  
16 treasury, to be known as the "sewage treatment works revolving  
17 loan fund", and the "sewage treatment works administration  
18 fund", the drinking water treatment revolving loan fund, and  
19 the drinking water facilities administration fund.

20 2. ~~The~~ Each of the revolving loan fund funds shall include  
21 sums appropriated to the revolving loan fund funds by the  
22 general assembly, sums transferred by action of the governor  
23 under section 455B.296, subsection 3, sums allocated to the  
24 state expressly for the purposes of establishing a each of the  
25 revolving loan fund funds under the Clean Water Act and the  
26 Safe Drinking Water Act, all receipts by the revolving loan  
27 fund funds, and any other sums designated for deposit to the  
28 revolving loan fund funds from any public or private source.  
29 All moneys appropriated to and deposited in the revolving fund  
30 loan funds are appropriated and shall be used for the sole  
31 purpose of making loans to the municipalities and water  
32 systems, as applicable, to finance all or part of the cost of  
33 projects. The moneys appropriated to and deposited in the  
34 sewage treatment works revolving loan fund shall not be used  
35 to pay the nonfederal share of the cost of projects receiving

1 grants under the Clean Water Act. The moneys in the revolving  
2 loan fund funds are not considered ~~as-a~~ part of the general  
3 fund of the state, are not subject to appropriation for any  
4 other purpose by the general assembly, and in determining a  
5 general fund balance shall not be included in the general fund  
6 of the state but shall remain in the revolving loan fund funds  
7 to be used for ~~its~~ their respective purposes. The revolving  
8 loan ~~fund-is-a~~ funds are separate dedicated fund funds under  
9 the administration and control of the authority and subject to  
10 section 16.31. Moneys on deposit in the revolving loan fund  
11 funds shall be invested by the treasurer of state in  
12 cooperation with the authority, and the income from the  
13 investments shall be credited to and deposited in the  
14 appropriate revolving loan fund funds.

15 3. The ~~sewage-treatment-works~~ administration fund funds  
16 shall include sums appropriated to the administration fund  
17 funds by the general assembly, sums allocated to the state for  
18 the express purposes of administering the program programs,  
19 policies, and undertakings authorized by the Clean Water Act  
20 and the Safe Drinking Water Act, and all receipts by the  
21 administration fund funds from any public or private source.  
22 All moneys appropriated to and deposited in the administration  
23 fund funds are appropriated for and shall be used and  
24 administered by the department to pay the costs and expenses  
25 associated with the program, including administration of the  
26 program, as may be determined by the department.

27 4. The department and the authority may establish and  
28 maintain other funds or accounts determined to be necessary to  
29 carry out the purposes of this part and shall provide for the  
30 funding, administration, investment, restrictions, and  
31 disposition of the funds and accounts. The department and the  
32 authority may combine the financial administration of the  
33 revolving loan funds and the administration of the revolving  
34 loan funds and the administration funds to the extent  
35 permitted by the Safe Drinking Water Act.

1 Sec. 12. Section 455B.296, Code 1997, is amended to read  
2 as follows:

3 455B.296 INTENDED USE PLANS -- CAPITALIZATION GRANTS --  
4 ACCOUNTING.

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

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

23 3. Upon receipt of the joint recommendation of the  
24 department and the authority with respect to the amounts to be  
25 so reserved and transferred, and subject in all respects to  
26 the applicable provisions of the Safe Drinking Water Act, the  
27 governor may direct that the recommended portion of a  
28 capitalization grant made in respect of one of the revolving  
29 loan funds in any year be reserved for the transfer to the  
30 other revolving loan fund. The authority and the department  
31 may effect the transfer of any funds reserved for such  
32 purpose, as directed by the governor, and shall cause the  
33 records of the program to reflect the transfer. Any sums so  
34 transferred shall be expended in accordance with the intended  
35 use plan for the applicable revolving loan fund.

1 Sec. 13. Section 455B.297, Code 1997, is amended to read  
2 as follows:

3 455B.297 LOANS TO MUNICIPALITIES AND WATER SYSTEMS.

4 Moneys deposited in the revolving loan fund funds shall be  
5 used for the ~~sole~~ primary purpose of making loans to  
6 municipalities and water systems to finance the cost of  
7 projects in accordance with the intended use plans developed  
8 by the department under section 455B.296. The municipalities  
9 and water systems to which loans are to be made, the purposes  
10 of the loan, the amount of each loan, the interest rate of the  
11 loan, and the repayment terms of the loan, shall be determined  
12 by the director, in accordance with rules adopted by the  
13 commission, in compliance with and subject to the terms and  
14 conditions of ~~Title VI of~~ the Clean Water Act and the Safe  
15 Drinking Water Act, as applicable, and any resolution,  
16 agreement, indenture, or other document of the authority, and  
17 rules adopted by the authority, relating to any bonds, notes,  
18 or other obligations issued for the program which may be  
19 applicable to the loan.

20 Sec. 14. Section 455B.298, Code 1997, is amended to read  
21 as follows:

22 455B.298 POWERS AND DUTIES OF THE DIRECTOR.

23 The director shall:

24 1. Process and review loan applications to determine if an  
25 application meets the eligibility requirements set by the  
26 rules of the department.

27 2. Approve loan applications of municipalities and water  
28 systems which satisfy the rules adopted by the commission, and  
29 the intended use ~~plan~~ plans developed by the department under  
30 section 455B.296.

31 3. Process and review all documents relating to projects  
32 and the extending of loans.

33 4. Prepare and process, in coordination with the  
34 authority, documents relating to the extending of loans to  
35 municipalities and water systems, the sale and issuance of

1 bonds, notes, or other obligations of the authority relating  
2 to the program, and the administration of the program.

3 5. Include in the budget prepared pursuant to section  
4 455A.4, subsection 1, paragraph "c", an annual budget for the  
5 administration of the program and the use and disposition of  
6 amounts on deposit in the administration fund funds.

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

15 7. Consult with and receive the approval of the authority  
16 concerning the terms and conditions of loan agreements with  
17 municipalities and water systems as to the financial integrity  
18 of the loan.

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

21 Sec. 15. EFFECTIVE DATE. This Act, being deemed of  
22 immediate importance, takes effect upon enactment.

23 EXPLANATION

24 This bill creates a drinking water treatment revolving loan  
25 fund which is similar to the sewage treatment works revolving  
26 loan fund. The bill adds the drinking water treatment  
27 revolving loan program to the Code sections dealing with the  
28 sewage treatment works revolving loan program.

29 Code sections 16.131 and 16.132 deal with provisions for  
30 the funding of the sewage treatment works financing program.  
31 The bill includes the drinking water facilities financing  
32 program in these sections. The bill provides that the  
33 drinking water facilities financing program shall have the  
34 same financing and funding provisions as the sewage treatment  
35 works financing program.

1 The bill provides that unless federal law or regulation  
2 requires the review and approval of plans and specifications,  
3 a permit shall be issued for the construction, installation,  
4 or modification of a public water supply system if the plans  
5 are properly certified to the department of natural resources.

6 The bill amends the definitions found in section 455B.291  
7 to include the drinking water facilities program with the  
8 sewage treatment financing program in sections 455B.291 to  
9 455B.299. Definitions are added to define administrative  
10 funds, drinking water treatment revolving loan fund, drinking  
11 water facilities administration fund, revolving loan funds,  
12 Safe Drinking Water Act, and water system.

13 The bill provides that the drinking water facilities  
14 program is essential to protecting and improving the state's  
15 water quality and the health of its citizens. The bill also  
16 provides that federal money for the assistance in constructing  
17 and improving safe drinking water facilities has diminished  
18 and that it is proper for the state to encourage local  
19 governments to undertake drinking water projects through the  
20 establishment of a state mechanism to provide loans.

21 The bill provides that it is the policy of the general  
22 assembly that it is in the public interest to establish a  
23 drinking water facilities program and revolving loan fund to  
24 make loans available to water systems for the purpose of  
25 undertaking projects. This purpose is to be construed  
26 broadly.

27 In establishing the drinking water facilities financing  
28 program, the bill provides that the department of natural  
29 resources and the Iowa finance authority must operate,  
30 administer, and finance the program consistent with state law,  
31 the Safe Drinking Water Act, and the rules of the department  
32 and authority. The authority and the department must also act  
33 to conform the program to the guidance and regulations of the  
34 United States environmental protection agency.

35 The bill establishes the drinking water treatment revolving

1 loan fund and the drinking water facilities administration  
2 fund. The drinking water facilities administration fund is  
3 similar to the sewage treatment works administration fund,  
4 except that the drinking water facilities administration fund  
5 is to be used for the purpose of administering the programs,  
6 policies, and undertakings authorized by the Safe Drinking  
7 Water Act. Moneys appropriated to and deposited in the  
8 drinking water treatment revolving loan fund are to be used  
9 for the sole purpose of making loans to water systems for  
10 financing the costs of projects. Moneys in the drinking water  
11 treatment revolving loan fund are not considered as part of  
12 the state general fund. The financial administration of the  
13 revolving loan funds and the administration funds may be  
14 combined to the extent permitted by the Safe Drinking Water  
15 Act.

16 The bill provides that intended use plans may be prepared  
17 and capitalization grant agreements may be entered into with  
18 the United States environmental protection agency under the  
19 Safe Drinking Water Act. The bill provides that the governor  
20 has the authority, subject to the joint recommendation of the  
21 department and the authority and subject to the provisions of  
22 the Safe Drinking Water Act, to direct that a portion of a  
23 capitalization grant made in respect of one of the revolving  
24 funds to be reserved for transfer to the other revolving fund.  
25 Any transferred funds are to be used in accordance with the  
26 intended use plan for the applicable revolving loan fund.

27 The bill includes water systems in the entities eligible to  
28 receive loans from a revolving loan fund. The bill also  
29 provides that the director of the department of natural  
30 resources has the same powers and duties in administering both  
31 revolving funds.

32 The bill takes effect upon enactment.

33

34

35

HSB 27

APPROPRIATIONS

Succeeded

SENATE/HOUSE FILE 0191  
BY (PROPOSED DEPARTMENT OF  
NATURAL RESOURCES BILL)

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

A BILL FOR

1 An Act relating to the establishment of the drinking water  
2 facilities financing program, the drinking water treatment  
3 revolving loan fund, and the drinking water facilities  
4 administration fund.

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

- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24



1 Section 1. Section 16.131, Code 1997, is amended to read  
2 as follows:

3 16.131 IOWA SEWAGE TREATMENT WORKS AND DRINKING WATER  
4 FACILITIES FINANCING PROGRAM -- DEFINITIONS -- FUNDING --  
5 BONDS AND NOTES.

6 1. The authority shall cooperate with the department of  
7 natural resources in the creation, administration, and  
8 financing of the Iowa sewage treatment works and drinking  
9 water facilities financing program established in sections  
10 455B.291 through 455B.299.

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

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

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

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

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

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

9 d. Other terms and conditions as deemed necessary or  
10 appropriate by the authority.

11 5. The powers granted the authority under this section are  
12 in addition to other powers contained in this chapter. All  
13 other provisions of this chapter, except section 16.28,  
14 subsection 4, apply to bonds or notes issued and powers  
15 granted to the authority under this section except to the  
16 extent they are inconsistent with this section.

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

21 Sec. 2. Section 16.132, subsection 1, paragraphs c and d,  
22 Code 1997, are amended to read as follows:

23 c. The amounts on deposit in the revolving loan fund  
24 funds.

25 d. The amounts payable to the department by municipalities  
26 or water systems pursuant to loan agreements with  
27 municipalities or water systems.

28 Sec. 3. Section 16.132, subsection 5, Code 1997, is  
29 amended to read as follows:

30 5. The bonds or notes issued by the authority are not an  
31 indebtedness or other liability of the state or of a political  
32 subdivision of the state within the meaning of any  
33 constitutional or statutory debt limitations but are special  
34 obligations of the authority, and are payable solely from the  
35 income and receipts or other funds or property of the

1 department, and the amounts on deposit in the revolving loan  
2 ~~fund~~ funds, and the amounts payable to the department under  
3 its loan agreements with the municipalities and water systems  
4 to the extent that the amounts are designated in the  
5 resolution, trust agreement, or other instrument of the  
6 authority authorizing the issuance of the bonds or notes as  
7 being available as security for such bonds or notes. The  
8 authority shall not pledge the faith or credit of the state or  
9 of a political subdivision of the state to the payment of any  
10 bonds or notes. The issuance of any bonds or notes by the  
11 authority does not directly, indirectly, or contingently  
12 obligate the state or a political subdivision of the state to  
13 apply money from, or levy or pledge any form of taxation  
14 whatever to the payment of the bonds or notes.

15 Sec. 4. Section 16.132, subsection 6, Code 1997, is  
16 amended to read as follows:

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

31 Sec. 5. Section 455B.177, subsection 2, Code 1997, is  
32 amended to read as follows:

33 2. The general assembly further finds and declares that  
34 because the federal Safe Drinking Water Act, ~~Pub. L. No. 93-~~  
35 523 42 U.S.C. § 300f et seq., as amended by Pub. L. No. 104-

1 182, provides for the implementation of said the Act by states  
2 which have adequate authority to do so, it is in the interest  
3 of the people of Iowa to implement the provisions of the  
4 federal Safe Drinking Water Act and federal regulations and  
5 guidelines issued pursuant thereto to the Act.

6 Sec. 6. Section 455B.183, subsection 1, Code 1997, is  
7 amended to read as follows:

8 1. The construction, installation, or modification of any  
9 disposal system or public water supply system or part thereof  
10 or any extension or addition thereto except those sewer  
11 extensions and water supply distribution system extensions  
12 that are subject to review and approval by a city or county  
13 public works department pursuant to this section and private  
14 sewage disposal systems. A Unless federal law or regulation  
15 requires the review and approval of plans and specifications,  
16 a permit shall be issued for the construction, installation,  
17 or modification of a public water supply system or part of a  
18 system if a qualified, registered engineer certifies to the  
19 department that the plans for the system or part of the system  
20 meet the requirements of state and federal law or regulations.  
21 The permit shall state that approval is based only upon the  
22 engineer's certification that the system's design meets the  
23 requirements of all applicable state and federal laws and  
24 regulations and the review of the department shall be  
25 advisory.

26 Sec. 7. Section 455B.291, Code 1997, is amended to read as  
27 follows:

28 455B.291 DEFINITIONS.

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

31 1. "Administrative funds" means the sewage treatment works  
32 administration fund and the drinking water facilities  
33 administration fund.

34 2. "Authority" means the Iowa finance authority  
35 established in section 16.2.

1     2 3. "Clean Water Act" means the federal Water Pollution  
2 Control Act of 1972, Pub. L. No. 92-500, as amended by the  
3 Water Quality Act of 1987, Pub. L. No. 100-4, as published in  
4 33 U.S.C. § 1251--1376.

5     3 4. "Cost" means all costs, charges, expenses, or other  
6 indebtedness incurred by a municipality or water system and  
7 determined by the director as reasonable and necessary for  
8 carrying out all works and undertakings necessary or  
9 incidental to the accomplishment of any project.

10     5. "Drinking water facilities administration fund" means  
11 the drinking water facilities administration fund established  
12 in section 455B.295.

13     6. "Drinking water treatment revolving loan fund" means  
14 the drinking water treatment revolving loan fund established  
15 in section 455B.295.

16     4 7. "Municipality" means a city, county, sanitary  
17 district, state agency, or other governmental body or  
18 corporation empowered to provide sewage collection and  
19 treatment services, or any combination of two or more of the  
20 governmental bodies or corporations acting jointly, in  
21 connection with a project.

22     5 8. "Program" means the Iowa sewage treatment works and  
23 drinking water facilities financing program created pursuant  
24 to section 455B.294.

25     6 9. "Project" means one of the following:

26     a. In the context of sewage treatment facilities, the  
27 acquisition, construction, reconstruction, extension,  
28 equipping, improvement, or rehabilitation of any works and  
29 facilities useful for the collection, treatment, and disposal  
30 of sewage and industrial waste in a sanitary manner including  
31 treatment works as defined in section 212 of the Clean Water  
32 Act, or the implementation and development of management  
33 programs established under sections 319 and 320 of the Clean  
34 Water Act.

35     b. In the context of drinking water facilities, the

1 acquisition, construction, reconstruction, extending,  
2 remodeling, improving, repairing, or equipping of waterworks,  
3 water mains, extensions, or treatment facilities useful for  
4 providing potable water to residents served by a water system,  
5 including the acquisition of real property needed for any of  
6 the foregoing purposes, and such other programs as may be  
7 authorized under the Safe Drinking Water Act.

8 10. "Revolving loan funds" means the sewage treatment  
9 works revolving loan fund and the drinking water treatment  
10 revolving loan fund.

11 11. "Safe Drinking Water Act" means Title XIV of the  
12 federal Public Health Service Act, commonly known as the "Safe  
13 Drinking Water Act", 42 U.S.C. § 300f et seq., as amended by  
14 the Safe Drinking Water Amendments of 1996, Pub. L. No. 104-  
15 182.

16 7 12. "Sewage treatment works administration fund" or  
17 "administration-fund" means the sewage treatment works  
18 administration fund established in section 455B.295.

19 8 13. "Sewage treatment works revolving loan fund" or  
20 "revolving-loan-fund" means the sewage treatment works  
21 revolving loan fund established in section 455B.295.

22 14. "Water system" means any community water system or  
23 nonprofit noncommunity water system, each as defined in the  
24 Safe Drinking Water Act, that is eligible under the rules of  
25 the department to receive a loan under the program for the  
26 purposes of undertaking a project.

27 Sec. 8. Section 455B.292, Code 1997, is amended to read as  
28 follows:

29 455B.292 FINDINGS.

30 The general assembly finds that the proper construction,  
31 rehabilitation, operation, and maintenance of modern and  
32 efficient ~~sewer-systems-and~~ wastewater treatment works and  
33 drinking water facilities are essential to protecting and  
34 improving the state's water quality and the health of its  
35 citizens; that protecting and improving water quality is an

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

14 Sec. 9. Section 455B.293, Code 1997, is amended to read as  
15 follows:

16 455B.293 POLICY.

17 It is the policy of the general assembly that it is in the  
18 public interest to establish a sewage treatment works and  
19 drinking water facilities financing program and a revolving  
20 loan fund funds and administration fund funds to make loans  
21 available from the state to municipalities to-acquire,  
22 ~~construct,-reconstruct,-extend,-equip,-and-improve-works-and~~  
23 ~~facilities-useful-for-the-collection,-treatment,-and-disposal~~  
24 ~~of-sewage-and-industrial-waste-in-a-sanitary-manner~~ and water  
25 systems for the purpose of undertaking projects. This section  
26 shall be broadly construed to effect and accomplish that  
27 purpose.

28 Sec. 10. Section 455B.294, Code 1997, is amended to read  
29 as follows:

30 455B.294 ESTABLISHMENT OF THE IOWA SEWAGE TREATMENT WORKS  
31 AND DRINKING WATER FACILITIES FINANCING PROGRAM.

32 The Iowa sewage treatment works and drinking water  
33 facilities financing program is established for the purpose of  
34 making loans available to municipalities and water systems to  
35 finance all or part of the costs of projects. The program

1 shall be a joint and cooperative undertaking of the department  
2 and the authority. The department and the authority may enter  
3 into and provide any agreements, documents, instruments,  
4 certificates, data, or information necessary in connection  
5 with the operation, administration, and financing of the  
6 program consistent with this part, the Safe Drinking Water  
7 Act, the Clean Water Act, the rules of the department and the  
8 commission, the rules of the authority, and state law. The  
9 authority and the department may act to conform the program to  
10 the applicable guidance and regulations adopted by the United  
11 States environmental protection agency.

12 Sec. 11. Section 455B.295, Code 1997, is amended to read  
13 as follows:

14 455B.295 FUNDS AND ACCOUNTS.

15 1. ~~Two~~ Four separate funds are established in the state  
16 treasury, to be known as the "sewage treatment works revolving  
17 loan fund", and the "sewage treatment works administration  
18 fund", the drinking water treatment revolving loan fund, and  
19 the drinking water facilities administration fund.

20 2. ~~The~~ Each of the revolving loan fund funds shall include  
21 sums appropriated to the revolving loan fund funds by the  
22 general assembly, sums transferred by action of the governor  
23 under section 455B.296, subsection 3, sums allocated to the  
24 state expressly for the purposes of establishing a each of the  
25 revolving loan fund funds under the Clean Water Act and the  
26 Safe Drinking Water Act, all receipts by the revolving loan  
27 fund funds, and any other sums designated for deposit to the  
28 revolving loan fund funds from any public or private source.  
29 All moneys appropriated to and deposited in the revolving fund  
30 loan funds are appropriated and shall be used for the sole  
31 purpose of making loans to the municipalities and water  
32 systems, as applicable, to finance all or part of the cost of  
33 projects. The moneys appropriated to and deposited in the  
34 sewage treatment works revolving loan fund shall not be used  
35 to pay the nonfederal share of the cost of projects receiving



1 grants under the Clean Water Act. The moneys in the revolving  
2 loan ~~fund~~ funds are not considered as-a part of the general  
3 fund of the state, are not subject to appropriation for any  
4 other purpose by the general assembly, and in determining a  
5 general fund balance shall not be included in the general fund  
6 of the state but shall remain in the revolving loan ~~fund~~ funds  
7 to be used for ~~its~~ their respective purposes. The revolving  
8 loan ~~fund-is-a~~ funds are separate dedicated fund funds under  
9 the administration and control of the authority and subject to  
10 section 16.31. Moneys on deposit in the revolving loan ~~fund~~  
11 funds shall be invested by the treasurer of state in  
12 cooperation with the authority, and the income from the  
13 investments shall be credited to and deposited in the  
14 appropriate revolving loan fund funds.

15 3. The ~~sewage-treatment-works~~ administration ~~fund~~ funds  
16 shall include sums appropriated to the administration ~~fund~~  
17 funds by the general assembly, sums allocated to the state for  
18 the express purposes of administering the ~~program~~ programs,  
19 policies, and undertakings authorized by the Clean Water Act  
20 and the Safe Drinking Water Act, and all receipts by the  
21 administration ~~fund~~ funds from any public or private source.  
22 All moneys appropriated to and deposited in the administration  
23 ~~fund~~ funds are appropriated for and shall be used and  
24 administered by the department to pay the costs and expenses  
25 associated with the program, including administration of the  
26 program, as may be determined by the department.

27 4. The department and the authority may establish and  
28 maintain other funds or accounts determined to be necessary to  
29 carry out the purposes of this part and shall provide for the  
30 funding, administration, investment, restrictions, and  
31 disposition of the funds and accounts. The department and the  
32 authority may combine the financial administration of the  
33 revolving loan funds and the administration of the revolving  
34 loan funds and the administration funds to the extent  
35 permitted by the Safe Drinking Water Act.

1 Sec. 12. Section 455B.296, Code 1997, is amended to read  
2 as follows:

3 455B.296 INTENDED USE PLANS -- CAPITALIZATION GRANTS --  
4 ACCOUNTING.

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

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

23 3. Upon receipt of the joint recommendation of the  
24 department and the authority with respect to the amounts to be  
25 so reserved and transferred, and subject in all respects to  
26 the applicable provisions of the Safe Drinking Water Act, the  
27 governor may direct that the recommended portion of a  
28 capitalization grant made in respect of one of the revolving  
29 loan funds in any year be reserved for the transfer to the  
30 other revolving loan fund. The authority and the department  
31 may effect the transfer of any funds reserved for such  
32 purpose, as directed by the governor, and shall cause the  
33 records of the program to reflect the transfer. Any sums so  
34 transferred shall be expended in accordance with the intended  
35 use plan for the applicable revolving loan fund.

1 Sec. 13. Section 455B.297, Code 1997, is amended to read  
2 as follows:

3 455B.297 LOANS TO MUNICIPALITIES AND WATER SYSTEMS.

4 Moneys deposited in the revolving loan fund funds shall be  
5 used for the ~~sole~~ primary purpose of making loans to  
6 municipalities and water systems to finance the cost of  
7 projects in accordance with the intended use plans developed  
8 by the department under section 455B.296. The municipalities  
9 and water systems to which loans are to be made, the purposes  
10 of the loan, the amount of each loan, the interest rate of the  
11 loan, and the repayment terms of the loan, shall be determined  
12 by the director, in accordance with rules adopted by the  
13 commission, in compliance with and subject to the terms and  
14 conditions of ~~Title-VI-of~~ the Clean Water Act and the Safe  
15 Drinking Water Act, as applicable, and any resolution,  
16 agreement, indenture, or other document of the authority, and  
17 rules adopted by the authority, relating to any bonds, notes,  
18 or other obligations issued for the program which may be  
19 applicable to the loan.

20 Sec. 14. Section 455B.298, Code 1997, is amended to read  
21 as follows:

22 455B.298 POWERS AND DUTIES OF THE DIRECTOR.

23 The director shall:

24 1. Process and review loan applications to determine if an  
25 application meets the eligibility requirements set by the  
26 rules of the department.

27 2. Approve loan applications of municipalities and water  
28 systems which satisfy the rules adopted by the commission, and  
29 the intended use ~~plan~~ plans developed by the department under  
30 section 455B.296.

31 3. Process and review all documents relating to projects  
32 and the extending of loans.

33 4. Prepare and process, in coordination with the  
34 authority, documents relating to the extending of loans to  
35 municipalities and water systems, the sale and issuance of

1 bonds, notes, or other obligations of the authority relating  
2 to the program, and the administration of the program.

3 5. Include in the budget prepared pursuant to section  
4 455A.4, subsection 1, paragraph "c", an annual budget for the  
5 administration of the program and the use and disposition of  
6 amounts on deposit in the administration fund funds.

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

15 7. Consult with and receive the approval of the authority  
16 concerning the terms and conditions of loan agreements with  
17 municipalities and water systems as to the financial integrity  
18 of the loan.

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

21 EXPLANATION

22 This bill creates a drinking water treatment revolving loan  
23 fund which is similar to the sewage treatment works revolving  
24 loan fund. The bill adds the drinking water treatment  
25 revolving loan program to the Code sections dealing with the  
26 sewage treatment works revolving loan program..

27 Code sections 16.131 and 16.132 deal with provisions for  
28 the funding of the sewage treatment works financing program.  
29 The bill includes the drinking water facilities financing  
30 program in these sections. The bill provides that the  
31 drinking water facilities financing program shall have the  
32 same financing and funding provisions as the sewage treatment  
33 works financing program.

34 The bill provides that unless federal law or regulation  
35 requires the review and approval of plans and specifications,

1 a permit shall be issued for the construction, installation,  
2 or modification of a public water supply system if the plans  
3 are properly certified to the department of natural resources.

4 The bill amends the definitions found in section 455B.291  
5 to include the drinking water facilities program with the  
6 sewage treatment financing program in sections 455B.291 to  
7 455B.299. Definitions are added to define administrative  
8 funds, drinking water treatment revolving loan fund, drinking  
9 water facilities administration fund, revolving loan funds,  
10 Safe Drinking Water Act, and water system.

11 The bill provides that the drinking water facilities  
12 program is essential to protecting and improving the state's  
13 water quality and the health of its citizens. The bill also  
14 provides that federal money for the assistance in constructing  
15 and improving safe drinking water facilities has diminished  
16 and that it is proper for the state to encourage local  
17 governments to undertake drinking water projects through the  
18 establishment of a state mechanism to provide loans.

19 The bill provides that it is the policy of the general  
20 assembly that it is in the public interest to establish a  
21 drinking water facilities program and revolving loan fund to  
22 make loans available to water systems for the purpose of  
23 undertaking projects. This purpose is to be construed  
24 broadly.

25 In establishing the drinking water facilities financing  
26 program, the bill provides that the department of natural  
27 resources and the Iowa finance authority must operate,  
28 administer, and finance the program consistent with state law,  
29 the Safe Drinking Water Act, and the rules of the department  
30 and authority. The authority and the department must also act  
31 to conform the program to the guidance and regulations of the  
32 United States environmental protection agency.

33 The bill establishes the drinking water treatment revolving  
34 loan fund and the drinking water facilities administration  
35 fund. The drinking water facilities administration fund is

1 similar to the sewage treatment works administration fund,  
2 except that the drinking water facilities administration fund  
3 is to be used for the purpose of administering the programs,  
4 policies, and undertakings authorized by the Safe Drinking  
5 Water Act. Moneys appropriated to and deposited in the  
6 drinking water treatment revolving loan fund are to be used  
7 for the sole purpose of making loans to water systems for  
8 financing the costs of projects. Moneys in the drinking water  
9 treatment revolving loan fund are not considered as part of  
10 the state general fund. The financial administration of the  
11 revolving loan funds and the administration funds may be  
12 combined to the extent permitted by the Safe Drinking Water  
13 Act.

14 The bill provides that intended use plans may be prepared  
15 and capitalization grant agreements may be entered into with  
16 the United States environmental protection agency under the  
17 Safe Drinking Water Act. The bill provides that the governor  
18 has the authority, subject to the joint recommendation of the  
19 department and the authority and subject to the provisions of  
20 the Safe Drinking Water Act, to direct that a portion of a  
21 capitalization grant made in respect of one of the revolving  
22 funds to be reserved for transfer to the other revolving fund.  
23 Any transferred funds are to be used in accordance with the  
24 intended use plan for the applicable revolving loan fund.

25 The bill includes water systems in the entities eligible to  
26 receive loans from a revolving loan fund. The bill also  
27 provides that the director of the department of natural  
28 resources has the same powers and duties in administering both  
29 revolving funds.

30  
31  
32  
33  
34  
35

HOUSE FILE 191

AN ACT

RELATING TO THE ESTABLISHMENT OF THE DRINKING WATER FACILITIES FINANCING PROGRAM, THE DRINKING WATER TREATMENT REVOLVING LOAN FUND, THE DRINKING WATER FACILITIES ADMINISTRATION FUND, AND PROVIDING AN EFFECTIVE DATE.

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

Section 1. Section 16.131, Code 1997, is amended to read as follows:

16.131 IOWA SEWAGE TREATMENT WORKS AND DRINKING WATER FACILITIES FINANCING PROGRAM -- DEFINITIONS -- FUNDING -- BONDS AND NOTES.

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

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

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

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

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

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

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

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

5. The powers granted the authority under this section are in addition to other powers contained in this chapter. All other provisions of this chapter, except section 16.28, subsection 4, apply to bonds or notes issued and powers granted to the authority under this section except to the extent they are inconsistent with this section.

6. All bonds or notes issued by the authority in connection with the program are exempt from taxation by this

state and the interest on the bonds or notes is exempt from state income tax.

Sec. 2. Section 16.132, subsection 1, paragraphs c and d, Code 1997, are amended to read as follows:

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

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

Sec. 3. Section 16.132, subsection 5, Code 1997, is amended to read as follows:

5. The bonds or notes issued by the authority are not an indebtedness or other liability of the state or of a political subdivision of the state within the meaning of any constitutional or statutory debt limitations but are special obligations of the authority, and are payable solely from the income and receipts or other funds or property of the department, and the amounts on deposit in the revolving loan fund funds, and the amounts payable to the department under its loan agreements with the municipalities and water systems to the extent that the amounts are designated in the resolution, trust agreement, or other instrument of the authority authorizing the issuance of the bonds or notes as being available as security for such bonds or notes. The authority shall not pledge the faith or credit of the state or of a political subdivision of the state to the payment of any bonds or notes. The issuance of any bonds or notes by the authority does not directly, indirectly, or contingently obligate the state or a political subdivision of the state to apply money from, or levy or pledge any form of taxation whatever to the payment of the bonds or notes.

Sec. 4. Section 16.132, subsection 6, Code 1997, is amended to read as follows:

6. The state pledges to and agrees with the holders of bonds or notes issued under the Iowa sewage treatment works

and drinking water facilities financing program, that the state will not limit or alter the rights and powers vested in the authority to fulfill the terms of a contract made by the authority with respect to the bonds or notes, or in any way impair the rights and remedies of the holders until the bonds or notes, together with the interest on them including interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the holders, are fully met and discharged. The authority is authorized to include this pledge and agreement of the state, as it refers to holders of bonds or notes of the authority, in a contract with the holders.

Sec. 5. Section 455B.177, subsection 2, Code 1997, is amended to read as follows:

2. The general assembly further finds and declares that because the federal Safe Drinking Water Act, ~~Pub. L. No. 93-523~~ 42 U.S.C. § 300f et seq., as amended by Pub. L. No. 104-182, provides for the implementation of said the Act by states which have adequate authority to do so, it is in the interest of the people of Iowa to implement the provisions of the federal Safe Drinking Water Act and federal regulations and guidelines issued pursuant thereto to the Act.

Sec. 6. Section 455B.183, subsection 1, Code 1997, is amended to read as follows:

1. The construction, installation, or modification of any disposal system or public water supply system or part thereof or any extension or addition thereto except those sewer extensions and water supply distribution system extensions that are subject to review and approval by a city or county public works department pursuant to this section and private sewage disposal systems. A Unless federal law or regulation requires the review and approval of plans and specifications, a permit shall be issued for the construction, installation, or modification of a public water supply system or part of a system if a qualified, registered engineer certifies to the



department that the plans for the system or part of the system meet the requirements of state and federal law or regulations. The permit shall state that approval is based only upon the engineer's certification that the system's design meets the requirements of all applicable state and federal laws and regulations and the review of the department shall be advisory.

Sec. 7. Section 455B.291, Code 1997, is amended to read as follows:

455B.291 DEFINITIONS.

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

1. "Administrative funds" means the sewage treatment works administration fund and the drinking water facilities administration fund.
2. "Authority" means the Iowa finance authority established in section 16.2.
3. "Clean Water Act" means the federal Water Pollution Control Act of 1972, Pub. L. No. 92-500, as amended by the Water Quality Act of 1987, Pub. L. No. 100-4, as published in 33 U.S.C. § 1251--1376.
4. "Cost" means all costs, charges, expenses, or other indebtedness incurred by a municipality or water system and determined by the director as reasonable and necessary for carrying out all works and undertakings necessary or incidental to the accomplishment of any project.
5. "Drinking water facilities administration fund" means the drinking water facilities administration fund established in section 455B.295.
6. "Drinking water treatment revolving loan fund" means the drinking water treatment revolving loan fund established in section 455B.295.
7. "Municipality" means a city, county, sanitary district, state agency, or other governmental body or corporation empowered to provide sewage collection and

treatment services, or any combination of two or more of the governmental bodies or corporations acting jointly, in connection with a project.

5 8. "Program" means the Iowa sewage treatment works and drinking water facilities financing program created pursuant to section 455B.294.

6 9. "Project" means one of the following:

a. In the context of sewage treatment facilities, the acquisition, construction, reconstruction, extension, equipping, improvement, or rehabilitation of any works and facilities useful for the collection, treatment, and disposal of sewage and industrial waste in a sanitary manner including treatment works as defined in section 212 of the Clean Water Act, or the implementation and development of management programs established under sections 319 and 320 of the Clean Water Act.

b. In the context of drinking water facilities, the acquisition, construction, reconstruction, extending, remodeling, improving, repairing, or equipping of waterworks, water mains, extensions, or treatment facilities useful for providing potable water to residents served by a water system, including the acquisition of real property needed for any of the foregoing purposes, and such other programs as may be authorized under the Safe Drinking Water Act.

10. "Revolving loan funds" means the sewage treatment works revolving loan fund and the drinking water treatment revolving loan fund.

11. "Safe Drinking Water Act" means Title XIV of the federal Public Health Service Act, commonly known as the "Safe Drinking Water Act", 42 U.S.C. § 300f et seq., as amended by the Safe Drinking Water Amendments of 1996, Pub. L. No. 104-182.

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

8 13. "Sewage treatment works revolving loan fund" or "~~revolving-loan-fund~~" means the sewage treatment works revolving loan fund established in section 455B.295.

14. "Water system" means any community water system or nonprofit noncommunity water system, each as defined in the Safe Drinking Water Act, that is eligible under the rules of the department to receive a loan under the program for the purposes of undertaking a project.

Sec. 8. Section 455B.292, Code 1997, is amended to read as follows:

455B.292 FINDINGS.

The general assembly finds that the proper construction, rehabilitation, operation, and maintenance of modern and efficient ~~sewer-systems-and~~ wastewater treatment works and drinking water facilities are essential to protecting and improving the state's water quality and the health of its citizens; that protecting and improving water quality is an issue of concern to the citizens of the state; that in addition to protecting and improving the state's water quality, adequate wastewater treatment works and drinking water facilities are essential to economic growth and development; that during the last several years the amount of federal grant money available to states and local governments for assistance in constructing and improving wastewater treatment works and safe drinking water facilities has sharply diminished and will likely continue to diminish; and that it is proper for the state to encourage local governments to undertake wastewater treatment and drinking water projects through the establishment of a state mechanism to provide loans at the lowest reasonable rates.

Sec. 9. Section 455B.293, Code 1997, is amended to read as follows:

455B.293 POLICY.

It is the policy of the general assembly that it is in the public interest to establish a sewage treatment works and

drinking water facilities financing program and a revolving loan fund funds and administration fund funds to make loans available from the state to municipalities ~~to-acquire,~~ ~~construct,-reconstruct,-extend,-equip,-and-improve-works-and~~ ~~facilities-useful-for-the-collection,-treatment,-and-disposal~~ ~~of-sewage-and-industrial-waste-in-a-sanitary-manner~~ and water systems for the purpose of undertaking projects. This section shall be broadly construed to effect and accomplish that purpose.

Sec. 10. Section 455B.294, Code 1997, is amended to read as follows:

455B.294 ESTABLISHMENT OF THE IOWA SEWAGE TREATMENT WORKS AND DRINKING WATER FACILITIES FINANCING PROGRAM.

The Iowa sewage treatment works and drinking water facilities financing program is established for the purpose of making loans available to municipalities and water systems to finance all or part of the costs of projects. The program shall be a joint and cooperative undertaking of the department and the authority. The department and the authority may enter into and provide any agreements, documents, instruments, certificates, data, or information necessary in connection with the operation, administration, and financing of the program consistent with this part, the Safe Drinking Water Act, the Clean Water Act, the rules of the department and the commission, the rules of the authority, and state law. The authority and the department may act to conform the program to the applicable guidance and regulations adopted by the United States environmental protection agency.

Sec. 11. Section 455B.295, Code 1997, is amended to read as follows:

455B.295 FUNDS AND ACCOUNTS.

1. ~~Two~~ Four separate funds are established in the state treasury, to be known as the "sewage treatment works revolving loan fund", and the "sewage treatment works administration fund", the drinking water treatment revolving loan fund, and the drinking water facilities administration fund.

2. The Each of the revolving loan fund funds shall include sums appropriated to the revolving loan fund funds by the general assembly, sums transferred by action of the governor under section 455B.296, subsection 3, sums allocated to the state expressly for the purposes of establishing a each of the revolving loan fund funds under the Clean Water Act and the Safe Drinking Water Act, all receipts by the revolving loan fund funds, and any other sums designated for deposit to the revolving loan fund funds from any public or private source. All moneys appropriated to and deposited in the revolving fund loan funds are appropriated and shall be used for the sole purpose of making loans to the municipalities and water systems, as applicable, to finance all or part of the cost of projects. The moneys appropriated to and deposited in the sewage treatment works revolving loan fund shall not be used to pay the nonfederal share of the cost of projects receiving grants under the Clean Water Act. The moneys in the revolving loan fund funds are not considered as a part of the general fund of the state, are not subject to appropriation for any other purpose by the general assembly, and in determining a general fund balance shall not be included in the general fund of the state but shall remain in the revolving loan fund funds to be used for its their respective purposes. The revolving loan fund-is-a funds are separate dedicated fund funds under the administration and control of the authority and subject to section 16.31. Moneys on deposit in the revolving loan fund funds shall be invested by the treasurer of state in cooperation with the authority, and the income from the investments shall be credited to and deposited in the appropriate revolving loan fund funds.

3. The sewage-treatment-works administration fund funds shall include sums appropriated to the administration fund funds by the general assembly, sums allocated to the state for the express purposes of administering the program programs, policies, and undertakings authorized by the Clean Water Act

and the Safe Drinking Water Act, and all receipts by the administration fund funds from any public or private source. All moneys appropriated to and deposited in the administration fund funds are appropriated for and shall be used and administered by the department to pay the costs and expenses associated with the program, including administration of the program, as may be determined by the department.

4. The department and the authority may establish and maintain other funds or accounts determined to be necessary to carry out the purposes of this part and shall provide for the funding, administration, investment, restrictions, and disposition of the funds and accounts. The department and the authority may combine the financial administration of the revolving loan funds and the administration of the revolving loan funds and the administration funds to the extent permitted by the Safe Drinking Water Act.

Sec. 12. Section 455B.296, Code 1997, is amended to read as follows:

455B.296 INTENDED USE PLANS -- CAPITALIZATION GRANTS -- ACCOUNTING.

1. Each fiscal year beginning July 1, 1988, the department may prepare and deliver intended use plans and enter into capitalization grant agreements with the administrator of the United States environmental protection agency under the terms and conditions set forth in Title-VI-of the Clean Water Act and the Safe Drinking Water Act and federal regulations adopted pursuant to the Act Acts and may accept capitalization grants for each of the revolving loan fund funds in accordance with payment schedules established by the administrator. All payments from the administrator shall be deposited in the appropriate revolving loan fund funds.

2. The department and the authority shall establish fiscal controls and accounting procedures during appropriate accounting periods for payments and disbursements received and made by the revolving loan fund funds, the administration fund

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

3. Upon receipt of the joint recommendation of the department and the authority with respect to the amounts to be so reserved and transferred, and subject in all respects to the applicable provisions of the Safe Drinking Water Act, the governor may direct that the recommended portion of a capitalization grant made in respect of one of the revolving loan funds in any year be reserved for the transfer to the other revolving loan fund. The authority and the department may effect the transfer of any funds reserved for such purpose, as directed by the governor, and shall cause the records of the program to reflect the transfer. Any sums so transferred shall be expended in accordance with the intended use plan for the applicable revolving loan fund.

Sec. 13. Section 455B.297, Code 1997, is amended to read as follows:

**455B.297 LOANS TO MUNICIPALITIES AND WATER SYSTEMS.**

Moneys deposited in the revolving loan fund funds shall be used for the sole primary purpose of making loans to municipalities and water systems to finance the cost of projects in accordance with the intended use plans developed by the department under section 455B.296. The municipalities and water systems to which loans are to be made, the purposes of the loan, the amount of each loan, the interest rate of the loan, and the repayment terms of the loan, shall be determined by the director, in accordance with rules adopted by the commission, in compliance with and subject to the terms and conditions of ~~Title VI~~ of the Clean Water Act and the Safe Drinking Water Act, as applicable, and any resolution, agreement, indenture, or other document of the authority, and rules adopted by the authority, relating to any bonds, notes, or other obligations issued for the program which may be applicable to the loan.

Sec. 14. Section 455B.298, Code 1997, is amended to read as follows:

**455B.298 POWERS AND DUTIES OF THE DIRECTOR.**

The director shall:

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

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

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

4. Prepare and process, in coordination with the authority, documents relating to the extending of loans to municipalities and water systems, the sale and issuance of bonds, notes, or other obligations of the authority relating to the program, and the administration of the program.

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

6. Charge each municipality and water system receiving a loan from the appropriate revolving loan fund a loan origination fee and an annual loan servicing fee. The amount of the loan origination fees and the loan servicing fees established shall be relative to the amount of a loan made from the revolving loan fund. The director shall deposit the receipts from the loan origination fees and the loan servicing fees in the appropriate administration fund.

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

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

Sec. 15. EFFECTIVE DATE. This Act, being deemed of immediate importance, takes effect upon enactment.

---

RON J. CORBETT  
Speaker of the House

---

MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 191, Seventy-seventh General Assembly.

---

ELIZABETH ISAACSON  
Chief Clerk of the House

Approved *J. Mark*, 1997

---

TERRY E. BRANSTAD  
Governor

**HF 191**