FEB 18 1997

ECONOMIC DEVELOPMENT

HOUSE FILE 257

BY LARSON

Passed House, Date ____________ Passed Senate, Date ____________

Vote: Ayes ______ Nays ______ Vote: Ayes ______ Nays ______

Approved ______________________________

A BILL FOR

An Act relating to economic development block grants and the appropriation of financial institution franchise tax revenues.

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

HF 257

TLSB 1623YH 77

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Section 1. NEW SECTION. 15E.180 ECONOMIC DEVELOPMENT BLOCK GRANTS.

1. A multicommunity development organization which annually meets the eligibility requirements of this section shall receive, upon application to the department of economic development, an economic development block grant of up to one hundred thousand dollars each year for a five-year period. The department shall determine the amount of the grant for which the multicommunity development organization is qualified and notify the director of the department of revenue and finance of this amount. Recipients may reapply for a second grant period. The multicommunity development organization may be a multicommunity-based economic development organization, or a county or city government economic development organization. Block grant moneys shall be paid by the treasurer of state out of franchise tax moneys received by the state and appropriated for the purpose of economic development block grants pursuant to section 422.65.

2. In order to be eligible to receive block grant moneys, the multicommunity development organization shall do all of the following:

a. Provide public or private matching funds of one dollar for every two dollars qualified for under subsection 1.

b. Demonstrate approval from the communities or counties served by the multicommunity development organization.

c. File with the department of economic development a five-year economic development plan. The plan must include, at a minimum, all of the following components:

(1) A statement explaining the economic development mission of the multicommunity development organization.

(2) A program to assist existing industry in the communities or counties served by the multicommunity development organization.

(3) A program to encourage businesses to locate in the communities or counties served by the multicommunity

development organization and to assist in the start-up of new businesses in those communities or counties.

(4) A plan to market the communities or counties to businesses seeking to locate or relocate businesses and to market to individuals or businesses the services available under the economic development plan.

(5) A budget for implementation of the plan.

(6) A minimum of one full-time economic development staff person.

3. Recipients may use block grant moneys for any recognized economic development purpose which is consistent with state and federal law including, but not limited to, all of the following:

a. Contracting for economic development services.

b. Distributing block grant moneys to any city, county, or community economic development organization.

c. Using block grant moneys as matching funds for federal or state economic development programs.

d. Developing infrastructure.

e. Renovating or building speculative shell buildings as defined in section 427.1, subsection 27, paragraph "c".

f. Building housing development infrastructure.

g. Creating a fund to provide grants or revolving loans to businesses.

h. Funding community marketing activities, including tourism marketing.

i. Funding reasonable expenses of operational costs including staff salaries.

j. Funding for the planning and start-up costs for organizing local multicommunity development organizations.

4. This section is repealed effective June 30, 2008.

Sec. 2. Section 422.65, Code 1997, is amended to read as follows:

422.65 ALLOCATION OF REVENUE.

1. All moneys received from the franchise tax shall be

deposited in the ~~state~~ general fund of the state. Commencing with the fiscal year beginning July 1, ~~1993~~ 1997, there is appropriated for each fiscal year from the franchise tax money received and deposited in the ~~state~~ general fund ~~the-sum-of eight-million-eight-hundred-thousand-dollars-which-shall-be paid-quarterly-on-warrants-by-the-director,-after certification-by-the-director,-as-follows~~ of the state the following amounts:

a. Thirty percent which shall be paid quarterly on warrants by the director, after certification by the director, as follows:

~~1.~~ (1) Sixty percent of the thirty percent to the general fund of the city from which the tax is collected.

~~2.~~ (2) Forty percent of the thirty percent to the county from which the tax is collected.

b. Thirty percent, up to nine million nine hundred thousand dollars, or as much as may be necessary up to thirty percent, which shall provide for economic development block grants to be given to eligible multicommunity development organizations in accordance with section 15E.180. Block grants are limited to one hundred thousand dollars per multicommunity development organization per year.

(1) Any portion of the thirty percent, up to nine million nine hundred thousand dollars, remaining unobligated in any fiscal year shall be transferred to the rural enterprise fund, created in 261 IAC 46, for grants or loans to businesses with fifty or fewer employees.

(2) Any portion of the thirty percent exceeding nine million nine hundred thousand dollars shall revert to the general fund of the state.

c. Forty percent of the moneys received from the franchise tax shall remain in the general fund of the state.

2. If the financial institution maintains one or more offices for the transaction of business, other than its principal office, a portion of its franchise tax shall be

allocated to each office, based upon a reasonable measure of the business activity of each office. The director shall prescribe, for each type of financial institution, a method of measuring the business activity of each office. Financial institutions shall furnish all necessary information for this purpose at the request of the director.

3. Quarterly, the director shall certify to the treasurer of state the amounts to be paid to each city, ~~and~~ county, and multicommunity development organization from the ~~state~~ general fund of the state under subsection 1, paragraphs "a" and "b". All moneys received from the franchise tax are appropriated according to ~~the-provisions-of~~ this section.

Sec. 3. REPEAL. The amendments made to Code section 422.65 in this Act are repealed effective June 30, 2008. Upon repeal, the Code editor shall return the language of section 422.65 to the language used in the 1995 Code of Iowa. Intervening amendments to the changes made to section 422.65 are not repealed.

EXPLANATION

This bill provides for economic development block grants to be given to qualifying multicommunity development organizations. Qualifying block grant recipients may receive up to $100,000 per year for a period of five years. Multicommunity development organizations may be a multicommunity-based economic development organization or a county or city government economic development organization. This bill provides that in order to be eligible to receive a block grant, a multicommunity development organization shall provide public or private matching funds or both of one dollar for every two dollars qualified for, demonstrate approval from the communities or counties served by the organization, and file with the department of economic development a five-year economic development plan. Block grant moneys may be used for any recognized economic development purpose which is consistent with state and federal law.

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The bill amends Code section 422.65 which deals with the allocation of moneys received from the franchise tax imposed on financial institutions. The bill provides that, beginning July 1, 1997, 30 percent shall be paid to the city and county from which the tax is collected, 30 percent or up to $9,900,000 to provide for economic development block grants awarded pursuant to Code section 15E.180, and 40 percent shall remain in the general fund of the state. Of the 30 percent or up to $9,900,000 designated for economic development block grants, any unobligated moneys in any fiscal year are transferred to the rural enterprise fund and any portion of the 30 percent exceeding $9,900,000 reverts to the general fund of the state.

The economic development block grant program and the conforming amendments in Code section 422.65 are repealed effective June 30, 2008.