

REPRINTED

3-31/97 Small Business and Economic Dev.

MAR 13 1997

Place On Calendar

HOUSE FILE 613  
BY COMMITTEE ON COMMERCE AND  
REGULATION

(SUCCESSOR TO HSB 210)

(P. 1350)

Passed House, <sup>(P. 898)</sup> Date 3/27/97

Passed Senate, Date 4/23/97

Vote: Ayes 87 Nays 11

Vote: Ayes 48 Nays 0

Approved May 29, 1997

A BILL FOR

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

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HF 613

1 Section 1. Section 12.32, Code 1997, is amended to read as  
2 follows:

3 12.32 DEFINITIONS.

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

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

11 "Eligible borrower" does not include a person who has been  
12 determined to be delinquent in making child support payments  
13 or any other payments due the state.

14 2. "Eligible lending institution" means a financial  
15 institution that is empowered to make commercial loans and is  
16 eligible pursuant to chapter 12C to be a depository of state  
17 funds.

18 3. "Linked investment" means a certificate of deposit  
19 placed pursuant to this division by the treasurer of state  
20 with an eligible lending institution, at an interest rate not  
21 more than three percent below current market ~~rates~~ rate on the  
22 condition that the institution agrees to lend the value of the  
23 deposit, according to the investment agreement provided in  
24 section 12.35, to an eligible borrower at a rate not to exceed  
25 four percent above the rate paid on the certificate of  
26 deposit. The treasurer of state shall determine and make  
27 available the current market rate which shall be used each  
28 month.

29 Sec. 2. Section 12.33, Code 1997, is amended to read as  
30 follows:

31 12.33 ~~LEGISLATIVE-FINDINGS-AND-INTENT----~~ PURPOSE PUBLIC  
32 POLICY.

33 ~~1.--The-general-assembly-finds-the-following:~~

34 ~~a.--That-many-horticultural-operations-throughout-the-state~~  
35 ~~are-experiencing-economic-stagnation-or-decline.~~

1 ~~b.--That high interest rates have caused potentially viable~~  
2 ~~operations to cease or not expand in the area of horticultural~~  
3 ~~or nontraditional crop production, processing, or marketing.~~

4 2.--The It is the public policy of this state that a linked  
5 investments for tomorrow program provided for in this division  
6 is intended be established to provide statewide availability  
7 of lower cost funds for lending purposes that will inject  
8 needed capital into the business of, and stimulate existing or  
9 encourage new businesses in the area of, producing,  
10 processing, or marketing horticultural or nontraditional  
11 crops.

12 3.--~~It is the public policy of the state through the linked~~  
13 ~~investments for tomorrow program to create an availability of~~  
14 ~~lower cost funds to inject needed capital into the business of~~  
15 ~~producing, processing, or marketing horticultural crops or~~  
16 ~~nontraditional crops.~~

17 Sec. 3. Section 12.34, subsection 1, Code 1997, is amended  
18 to read as follows:

19 1. The treasurer of state may invest up to the lesser of  
20 sixty-five million dollars or ten percent of the balance of  
21 the state pooled money fund in certificates of deposit in  
22 eligible lending institutions pursuant to this division.

23 Sec. 4. Section 12.40, Code 1997, is amended to read as  
24 follows:

25 12.40 RURAL SMALL BUSINESS TRANSFER LINKED INVESTMENT LOAN  
26 PROGRAM.

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

35 2. The treasurer of state shall adopt rules consistent

1 with this division to implement a rural small business  
2 transfer linked investment loan program to maintain and expand  
3 existing employment opportunities and the provision of ~~retail~~  
4 goods and services on a local level in small rural communities  
5 by assisting in the ~~transfer-of~~ ownership of ~~retail-oriented~~  
6 businesses ~~where, in the absence of sufficient financial~~  
7 ~~assistance, the businesses may close.~~

8 3. In order to qualify as an eligible borrower, the rural  
9 small business must be located in a city with a population of  
10 five thousand or less. A city located in a county with a  
11 population in excess of three hundred thousand, if the city is  
12 contiguous to another city in the county and that other city  
13 is contiguous to the largest city in that county, shall be  
14 ineligible to qualify as a borrower. In order to qualify  
15 under this program, the borrower must not have a net worth  
16 exceeding five hundred thousand dollars as defined in rules  
17 adopted by the treasurer of state pursuant to chapter 17A and  
18 the rural small business must meet all of the following  
19 criteria:

- 20 a. Be a for-profit business.
- 21 b. Have annual sales of two million dollars or less.
- 22 c. Not be operated out of the home of any person.
- 23 d. Not involve real estate investments, rental of real  
24 estate, leasing of real estate, or real estate speculation.
- 25 e. Not provide professional services.
- 26 f. Liquor, beer, and wine sales must not exceed twenty  
27 percent of annual sales.

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

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

4 6. A borrower who meets the requirements of subsection 3  
5 may receive a loan under this program for a new rural small  
6 business. Loan proceeds for a new rural small business shall  
7 only be used for the acquisition of inventory, supplies,  
8 machinery, fixtures, and equipment relied upon by the  
9 business.

10 ~~6~~ 7. Loan proceeds shall not be used to refinance  
11 existing debt, including credit card debt. However, proceeds  
12 may be used to refinance a short-term bridge loan made in  
13 anticipation of the treasurer's approval of the linked  
14 investment loan package.

15 ~~7~~ 8. The maximum ~~loan~~ amount that a borrower or a  
16 business may receive under during the lifetime of this loan  
17 program shall be fifty thousand dollars.

18 9. An eligible borrower with an outstanding loan made  
19 under either the main street linked investments loan program,  
20 as created in section 12.51, Code 1995, or the targeted small  
21 business linked investments program, as created in section  
22 12.43, Code 1997, shall be eligible to participate under the  
23 provisions of this division for the remaining period of  
24 eligibility under either of those programs.

25 Sec. 5. Section 12.41, subsection 1, Code 1997, is amended  
26 to read as follows:

27 1. In order to qualify as an eligible borrower, the  
28 borrower must not have a net worth exceeding five hundred  
29 thousand dollars as defined in the rules adopted by the  
30 treasurer and the loan application ~~shall~~ must be for the  
31 purchase or lease of land, machinery, equipment, or the  
32 purchase of other inputs used in the business of producing,  
33 processing, or marketing horticultural or nontraditional crops  
34 as defined in rules adopted by the treasurer.

35 Sec. 6. Section 12.41, subsection 3, Code 1997, is amended

1 to read as follows:

2 3. The maximum ~~loan~~ amount that an eligible or new  
3 borrower may receive under during the lifetime of this loan  
4 program is two hundred thousand dollars ~~for-a-production-loan~~  
5 ~~and-five-hundred-thousand-dollars-for-processing-or-marketing~~  
6 ~~facilities.~~ Loans made under this program shall qualify for  
7 the below market rate on the first fifty thousand dollars  
8 loaned only. Each month the treasurer of state shall  
9 determine and make available a blended rate for all loan  
10 amounts above the first fifty thousand dollars loaned under  
11 the program. A borrower under this program shall be limited  
12 to one loan from one financial institution.

13 Sec. 7. Section 12.43, Code 1997, is repealed.

14 Sec. 8. Loan applications on file with the treasurer of  
15 state on the effective date of this Act for the targeted small  
16 business linked investment program shall be considered  
17 eligible to be considered for participation under the relevant  
18 linked deposit program in this division.

19 Sec. 9. In addition to the assistance already available  
20 through the department of economic development's targeted  
21 small business program, the department of economic development  
22 shall develop a proposal for "instant buy down" assistance to  
23 targeted small businesses. The department of economic  
24 development shall provide a recommended proposal for this type  
25 of assistance and an estimate of necessary additional funding  
26 for such assistance to the chairpersons of the economic  
27 development appropriation subcommittees of the general  
28 assembly by December 15, 1997.

29 EXPLANATION

30 This bill relates to the linked investments programs in  
31 Code chapter 12.

32 The bill amends Code section 12.32 relating to the  
33 definitions used in the program. The bill provides that a  
34 person does not qualify as an eligible borrower if the person  
35 has been determined to be delinquent in paying child support

1 or any other payments due the state. The bill provides that  
2 the treasurer of state shall determine and make available each  
3 month the current market rate which shall be used by  
4 institutions in determining interest rates for certificates of  
5 deposit placed by the treasurer of state. The bill provides  
6 that the treasurer of state may invest up to the lesser of \$65  
7 million or 10 percent of the balance of the state pooled money  
8 fund in certificates of deposit under the linked deposit  
9 programs.

10 The bill provides that the rural small business program is  
11 a loan program for an existing or new rural small business  
12 located in a city with a population of 5,000 or less, unless  
13 contiguous to other larger cities. The bill provides that the  
14 program is not limited to situations involving the transfer of  
15 ownership of an existing business. In order to qualify under  
16 the program, the borrower must have a net worth of \$500,000 or  
17 less and the business must be a for-profit business, the  
18 business must have annual sales of \$2,000,000 or less, the  
19 business must not be operated out of any person's home, the  
20 business must not conduct real estate transactions, the  
21 business must not provide professional services, and liquor,  
22 beer, and wine sales must not exceed 20 percent of annual  
23 sales.

24 The bill provides that loan proceeds for a new rural small  
25 business under the rural small business linked investment loan  
26 program shall only be used for the purchase of inventory,  
27 supplies, machinery, fixtures, and equipment relied upon by  
28 the business.

29 The bill provides that the maximum amount that a borrower  
30 or a business may receive during the lifetime of the rural  
31 small business linked investment loan program shall be  
32 \$50,000. The bill provides that eligible businesses receiving  
33 loans made under the main street linked investments loan  
34 program or the targeted small business linked investments  
35 program which remain outstanding shall be eligible to

1 participate under this program for the remaining eligibility  
2 period under those two programs.

3 The bill amends the horticultural and nontraditional crops  
4 linked investment loan program by providing that an eligible  
5 borrower shall not have a net worth exceeding \$500,000 and the  
6 maximum amount a borrower may receive during the lifetime of  
7 this loan program is \$200,000. The bill provides that loans  
8 made under the program shall qualify for the below market rate  
9 for the first \$50,000 loaned and a blended rate for all  
10 amounts over the first \$50,000 loaned under the program. The  
11 bill provides that a borrower under the program shall be  
12 limited to one loan from one financial institution.

13 The bill repeals the targeted small business linked  
14 investments program under Code section 12.43. The targeted  
15 small business linked investments program was created to  
16 provide lower cost moneys to inject capital into small  
17 businesses owned and operated by women or minorities. A  
18 moratorium on new linked investments under this program is  
19 currently in place until June 30, 1997, pursuant to 1996 Iowa  
20 Acts, chapter 1058, section 9.

21 Loan applications on file with the treasurer of state on  
22 the effective date of this Act for the targeted small business  
23 linked investments program shall be eligible to be considered  
24 under the relevant linked deposit program in this division.

25 The bill provides that the department of economic  
26 development shall develop a proposal for "instant buy down"  
27 assistance to targeted small businesses.

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**HOUSE FILE 613  
FISCAL NOTE**

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A fiscal note for House File 613 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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House File 613 relates to the linked investments programs. The Bill amends Section 12.32, Code of Iowa, relating to the definitions used to qualify as an eligible borrower or business under the programs. The Bill provides that the Treasurer of State may invest up to the lesser of \$65.0 million or 10.0% of the balance of the State pooled money fund in certificates of deposit under the linked deposit programs.

**ASSUMPTIONS**

1. Existing Linked Investments for Tomorrow Program, Targeted Small Business loans will be honored for their remaining period of eligibility but new loans under the program will be discontinued.
2. Loan demand for the Horticulture and Alternative Crops Program will remain flat due to the proposed restrictions.
3. Loan demand for the Rural Small Business Transfer Program will remain flat due to the proposed restrictions.
4. The proposed cap of the lesser of \$65.0 million or 10.0% of the State's pooled money fund will limit the number of new loans. The Linked Investments for Tomorrow Program outstanding balance is \$63.0 million as of February 1997.

**FISCAL IMPACT**

House File 613 will decrease the total estimated amount of foregone interest \$360,000 for FY 1998. For FY 1999, the total estimated amount of foregone interest will decrease \$720,000 compared to FY 1997.

**SOURCES**

Office of the Treasurer of State

(LSB 2121hv, PQP)

FILED MARCH 19, 1997

BY DENNIS PROUTY, FISCAL DIRECTOR

HOUSE FILE 613

H-1404

1 Amend House File 613 as follows:

2 1. Page 5, by inserting after line 12 the  
3 following:

4 "Sec. \_\_\_\_ . NEW SECTION. 12.51 MAIN STREET LINKED  
5 INVESTMENTS LOAN PROGRAM.

6 The treasurer of state shall adopt rules to  
7 implement a main street linked investments loan  
8 program to increase the availability of lower cost  
9 funds to stimulate building restorations or  
10 rehabilitations of historic buildings within the  
11 central business district of a city which is a  
12 certified local government, or in the Iowa main street  
13 program or the rural main street program. The rules  
14 shall include the following conditions:

15 1. Linked investment loans shall be limited to  
16 projects for a building restoration or rehabilitation  
17 located in the central business district whose  
18 boundaries are the same as the main street or rural  
19 main street or central business district of a city  
20 which is a certified local government project area.

21 2. Eligible borrowers are limited to the property  
22 owner, contract purchaser of record, or long-term  
23 lessee.

24 3. Loan applications under this program shall be  
25 for the restoration or rehabilitation of facades of  
26 buildings which are eligible or nominated or listed on  
27 the national register of historic places. Public  
28 buildings are excluded.

29 4. A facade restoration or rehabilitation must  
30 follow United States secretary of interior's standards  
31 for rehabilitation and guidelines for rehabilitating  
32 historic buildings.

33 5. The maximum loan amount under the main street  
34 linked investments loan program is fifty thousand  
35 dollars per project.

36 6. Not more than one-third of the amount  
37 authorized in section 12.34 may be used for purposes  
38 of this program and the rural small business transfer  
39 linked investment loan program under section 12.40.

40 Sec. \_\_\_\_ . NEW SECTION. 12.52 APPLICATION  
41 PROCESS.

42 Applicants shall be certified as eligible for  
43 assistance prior to submitting applications to the  
44 treasurer of state for loans under the main street  
45 linked investment loan program. Administrative rules  
46 pursuant to chapter 17A shall be adopted jointly by  
47 the department of economic development and by the  
48 department of cultural affairs to require applicants  
49 to do the following:

50 1. Show evidence of preliminary design assistance

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1 from the Iowa main street program of the department of  
2 economic development or the state historic  
3 preservation office of the department of cultural  
4 affairs.

5 2. Show evidence of preliminary design review  
6 approval from the local design review committee.

7 3. Submit project plans and specifications  
8 prepared by an architect with historic preservation  
9 experience. The plans shall be submitted to a final  
10 design review board comprised of representatives of  
11 the state historic preservation office, the Iowa main  
12 street program, and one private sector architect  
13 selected jointly by the directors of the departments  
14 of economic development and cultural affairs. The  
15 treasurer of state or the treasurer of state's  
16 designee shall serve as an ad hock member of the  
17 design review board. The design review board shall  
18 provide certification of eligible projects to the  
19 treasurer of state following the review."

20 2. By renumbering as necessary.

By WARNSTADT of Woodbury  
WHITEAD of Woodbury

H-1404 FILED MARCH 26, 1997

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3/27/97 (p. 397)

## HOUSE FILE 613

H-1436

1 Amend House File 613 as follows:

2 1. By striking page 1, line 1, through page 5,  
3 line 18, and inserting the following:

4 "Sec. \_\_\_\_\_. Section 12.32, subsection 1, Code 1997,  
5 is amended to read as follows:

6 1. "Eligible borrower" means any person who is in  
7 the business or is entering the business of producing,  
8 processing, or marketing horticultural crops or  
9 nontraditional crops in this state or any person in  
10 this state who is qualified to participate in one of  
11 the programs in this division. "Eligible borrower"  
12 does not include a person who has been determined to  
13 be delinquent in making child support payments or any  
14 other payments due the state.

15 Sec. \_\_\_\_\_. Section 12.32, subsection 3, Code 1997,  
16 is amended to read as follows:

17 3. "Linked investment" means a certificate of  
18 deposit placed pursuant to this division by the  
19 treasurer of state with an eligible lending  
20 institution, at an interest rate not more than three  
21 percent below current market ~~rates~~ rate on the  
22 condition that the institution agrees to lend the  
23 value of the deposit, according to the investment  
24 agreement provided in section 12.35, to an eligible  
25 borrower at a rate not to exceed four percent above  
26 the rate paid on the certificate of deposit. The  
27 treasurer of state shall determine and make available  
28 the current market rate which shall be used each  
29 month.

30 Sec. \_\_\_\_\_. Section 12.33, Code 1997, is amended to  
31 read as follows:

32 12.33 ~~LEGISLATIVE-FINDINGS-AND-INTENT----~~~~PURPOSE~~  
33 ~~PUBLIC POLICY.~~

34 ~~1.--The-general-assembly-finds-the-following:~~

35 ~~a.--That-many-horticultural-operations-throughout~~  
36 ~~the-state-are-experiencing-economic-stagnation-or~~  
37 ~~decline-~~

38 ~~b.--That-high-interest-rates-have-caused~~  
39 ~~potentially-viable-operations-to-cess-or-not-expand~~  
40 ~~in-the-area-of-horticultural-or-nontraditional-crop~~  
41 ~~production,-processing,-or-marketing-~~

42 2.--The It is the public policy of this state that  
43 a linked investments for tomorrow program provided for  
44 in-this-division-is-intended be established to provide  
45 statewide availability of lower cost funds for lending  
46 purposes that will inject needed capital into the  
47 business of, and stimulate existing or encourage new  
48 businesses in, the area of producing, processing, or  
49 marketing horticultural or nontraditional crops.

50 3.--~~It-is-the-public-policy-of-the-state-through~~

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~~1 the-linked-investments-for-tomorrow-program-to-create~~  
~~2 an-availability-of-lower-cost-funds-to-inject-needed~~  
~~3 capital-into-the-business-of-producing,-processing,-or~~  
~~4 marketing-horticultural-crops-or-nontraditional-crops-~~

5 Sec. \_\_\_\_ . Section 12.34, subsection 1, Code 1997,  
6 is amended to read as follows:

7 1. The treasurer of state may invest up to the  
8 lesser of sixty-five million dollars or ten percent of  
9 the balance of the state pooled money fund in  
10 certificates of deposit in eligible lending  
11 institutions pursuant to this division.

12 Sec. \_\_\_\_ . Section 12.40, subsection 3, Code 1997,  
13 is amended to read as follows:

14 3. In order to qualify as an eligible borrower,  
15 the rural small business must be located in a city  
16 with a population of five thousand or less. A rural  
17 small business located in a city located in a county  
18 with a population in excess of ~~three~~ one hundred  
19 thousand, if the city is contiguous to another city in  
20 the county and that other city is contiguous to the  
21 largest city in that county, shall be ineligible to  
22 qualify as a borrower. In order to qualify under this  
23 program, all owners of the business or borrowers must  
24 not have a combined net worth exceeding five hundred  
25 thousand dollars as defined in rules adopted by the  
26 treasurer of state pursuant to chapter 17A and the  
27 rural small business must meet all of the following  
28 criteria:

29 a. Be a for-profit business under a single  
30 management.

31 b. Have annual sales of two million dollars or  
32 less.

33 c. Not be operated out of the home of any person,  
34 unless the person is eligible for a deduction on  
35 federal income taxes pursuant to 26 U.S.C. § 280A.

36 d. Not involve real estate investments, rental of  
37 real estate, leasing of real estate, or real estate  
38 speculation.

39 e. Not provide the services of persons practicing  
40 medicine and surgery pursuant to chapter 148,  
41 dentistry pursuant to chapter 153, chiropractic  
42 pursuant to chapter 151, optometry pursuant to chapter  
43 154, osteopathic medicine and surgery pursuant to  
44 chapter 150A, podiatry pursuant to chapter 149,  
45 psychology pursuant to chapter 154B, or law pursuant  
46 to section 602.10101 et seq.

47 f. Liquor, beer, and wine sales must not exceed  
48 twenty percent of annual sales.

49 Sec. \_\_\_\_ . Section 12.40, subsection 4, Code 1997,  
50 is amended to read as follows:

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

10 Sec. \_\_\_\_ . Section 12.40, subsection 7, Code 1997,  
11 is amended to read as follows:

12 7. The During the lifetime of this loan program,  
13 the maximum loan amount of assistance that a an  
14 eligible borrower or a business may receive under  
15 through this loan program shall be fifty thousand  
16 dollars. An eligible borrower or business under this  
17 program shall be limited to one loan from one  
18 financial institution.

19 Sec. \_\_\_\_ . Section 12.41, subsection 1, Code 1997,  
20 is amended to read as follows:

21 1. In order to qualify as an eligible borrower,  
22 the loan application ~~shall~~ must be for the purchase or  
23 lease of land, machinery, equipment, or the purchase  
24 of other inputs used in the business of producing,  
25 processing, or marketing horticultural or  
26 nontraditional crops as defined in rules adopted by  
27 the treasurer.

28 Sec. \_\_\_\_ . Section 12.41, subsection 3, Code 1997,  
29 is amended to read as follows:

30 3. The maximum ~~loan~~ amount of assistance that an  
31 eligible borrower or business may receive under during  
32 the lifetime of this program is two hundred thousand  
33 dollars for a production loan and five hundred  
34 thousand dollars for processing or marketing  
35 facilities. An eligible borrower or business under  
36 this program shall be limited to one loan from one  
37 financial institution.

38 Sec. \_\_\_\_ . Section 12.43, Code 1997, is amended to  
39 read as follows:

40 12.43 ~~TARGETED~~ FOCUSED SMALL BUSINESS LINKED  
41 INVESTMENTS PROGRAM CREATED -- DEFINITIONS.

42 The treasurer of state shall adopt rules to  
43 implement a targeted focused small business linked  
44 investments program to increase the availability of  
45 lower cost funds to inject needed capital into small  
46 businesses owned and operated by women or minorities,  
47 which is the public policy of the state. The rules  
48 shall be in accordance with the following:

49 ~~1.---"Targeted-small-business"--means-a-business-as~~  
50 ~~defined-in-section-15-1027-subsection-5-~~

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~~2. A linked investment shall only be approved in connection with a loan application for a targeted small business which has been certified pursuant to section 10A.1047, subsection 8.~~

1. As used in this section:

a. "Focused small business" means a new small business which is one hundred percent owned, operated, and actively managed by one or more women, minority persons, or persons with a disability, provided the business meets all the requirements of subsection 5.

b. "Disability" is defined as provided in section 15.102, subsection 5.

c. "Major life activity" is defined as provided in section 15.102, subsection 5.

d. "Minority person" is defined as provided in section 15.102, subsection 5.

~~3. 2. Loan applications for a targeted focused small business shall be for the purchase of land, machinery, equipment, or licenses, or patent, trademark, or copyright fees and expenses.~~

~~4. 3. The During the lifetime of this loan program, the maximum size of a targeted small business loan is two amount of assistance that an eligible borrower or business may borrow or receive through this loan program shall be one hundred fifty thousand dollars per borrower. An eligible borrower or business under this program shall be limited to one loan from one financial institution.~~

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

5. In order to qualify under this program, all owners of the business or borrowers must not have a combined net worth exceeding five hundred thousand dollars as defined in rules adopted by the treasurer of state pursuant to chapter 17A and the focused small business must meet all of the following criteria:

a. Be a for-profit business under a single management.

b. Have annual sales of two million dollars or less.

c. Not be operated out of the home of any person, unless the person is eligible for a deduction on federal income taxes pursuant to 26 U.S.C. § 280A.

d. Not involve real estate investments, rental of real estate, leasing of real estate, or real estate speculation.

e. Not provide the services of persons practicing

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- 1 medicine and surgery pursuant to chapter 148,  
 2 dentistry pursuant to chapter 153, chiropractic  
 3 pursuant to chapter 151, optometry pursuant to chapter  
 4 154, osteopathic medicine and surgery pursuant to  
 5 chapter 150A, podiatry pursuant to chapter 149,  
 6 psychology pursuant to chapter 154B, or law pursuant  
 7 to section 602.10101 et seq.  
 8 f. Liquor, beer, and wine sales must not exceed  
 9 twenty percent of annual sales.  
 10 6. Loan proceeds shall not be used to refinance  
 11 existing debt, including credit card debt. However,  
 12 proceeds may be used to refinance a short-term bridge  
 13 loan made in anticipation of the treasurer of state's  
 14 approval of the linked investment loan package.  
 15 7. Eligible lending institutions shall verify the  
 16 borrower is eligible to participate under the  
 17 provisions of this section pursuant to rules adopted  
 18 by the treasurer of state pursuant to chapter 17A.  
 19 Sec. \_\_\_\_ . This Act shall have no effect, pursuant  
 20 to section 4.13, on loans in effect on the effective  
 21 date of this Act."  
 22 2. By renumbering as necessary.

By METCALF of Polk

H-1436 FILED MARCH 26, 1997

*adopted 3/27/97 (p. 897)*

## HOUSE FILE 613

H-1437

- 1 Amend House File 613 as follows:  
 2 1. Page 2, line 20, by striking the words "sixty-  
 3 five" and inserting the following: "seventy-five".  
 By WISE of Lee

H-1437 FILED MARCH 26, 1997

*o/o 3/27/97 (p. 894)*

## HOUSE FILE 613

H-1438

- 1 Amend House File 613 as follows:  
 2 1. Page 3, by striking line 25.  
 3 2. By renumbering as necessary.  
 By WISE of Lee

H-1438 FILED MARCH 26, 1997

*o/o 3/27/97 (p. 897)*



## HOUSE FILE 613

H-1441

1 Amend the amendment, H-1436, House File 613 as  
2 follows:

3 1. Page 5, by inserting after line 18 the  
4 following:

5 "Sec. \_\_\_\_ . NEW SECTION. 12.51 MAIN STREET LINKED  
6 INVESTMENTS LOAN PROGRAM.

7 The treasurer of state shall adopt rules to  
8 implement a main street linked investments loan  
9 program to increase the availability of lower cost  
10 funds to stimulate building restorations or  
11 rehabilitations of historic buildings within the  
12 central business district of a city which is a  
13 certified local government, or in the Iowa main street  
14 program or the rural main street program. The rules  
15 shall include the following conditions:

16 1. Linked investment loans shall be limited to  
17 projects for a building restoration or rehabilitation  
18 located in the central business district whose  
19 boundaries are the same as the main street or rural  
20 main street or central business district of a city  
21 which is a certified local government project area.

22 2. Eligible borrowers are limited to the property  
23 owner, contract purchaser of record, or long-term  
24 lessee.

25 3. Loan applications under this program shall be  
26 for the restoration or rehabilitation of facades of  
27 buildings which are eligible or nominated or listed on  
28 the national register of historic places. Public  
29 buildings are excluded.

30 4. A facade restoration or building rehabilitation  
31 must follow United States secretary of interior's  
32 standards for rehabilitation and guidelines for  
33 rehabilitating historic buildings.

34 5. The maximum loan amount under the main street  
35 linked investments loan program is fifty thousand  
36 dollars per project.

37 6. Not more than one-third of the amount  
38 authorized in section 12.34 may be used for purposes  
39 of this program and the rural small business transfer  
40 linked investment loan program under section 12.40.

41 Sec. \_\_\_\_ . NEW SECTION. 12.52 APPLICATION  
42 PROCESS.

43 Applicants shall be certified as eligible for  
44 assistance prior to submitting applications to the  
45 treasurer of state for loans under the main street  
46 linked investment loan program. Administrative rules  
47 pursuant to chapter 17A shall be adopted jointly by  
48 the department of economic development and by the  
49 department of cultural affairs to require applicants  
50 to do the following:

H-1441

-1-

H-1441

Page 2

- 1 1. Show evidence of preliminary design assistance
- 2 from the Iowa main street program of the department of
- 3 economic development or the state historic
- 4 preservation office of the department of cultural
- 5 affairs.
- 6 2. Show evidence of preliminary design review
- 7 approval from the local design review committee.
- 8 3. The plans shall be submitted to a final design
- 9 review board comprised of representatives of the state
- 10 historic preservation office, the Iowa main street
- 11 program, and one private sector architect selected
- 12 jointly by the directors of the departments of
- 13 economic development and cultural affairs. The
- 14 treasurer of state or the treasurer of state's
- 15 designee shall serve as an ad hock member of the
- 16 design review board. The design review board shall
- 17 provide certification of eligible projects to the
- 18 treasurer of state following the review."
- 19 2. By renumbering as necessary.

By WARNSTADT of Woodbury  
WHITEAD of Woodbury

H-1441 FILED MARCH 26, 1997

*Post 3/27/97 (p. 897)*

HOUSE FILE 613

H-1445

- 1 Amend the amendment, H-1436, to House File 613 as
  - 2 follows:
  - 3 1. Page 2, line 8, by striking the words "sixty-
  - 4 five" and inserting the following: "seventy-five".
- By WISE of Lee

H-1445 FILED MARCH 27, 1997

LOST

(P. 894)

HOUSE FILE 613

H-1446

- 1 Amend the amendment, H-1436, to House File 613 as
  - 2 follows:
  - 3 1. Page 2, by striking lines 39 through 46.
  - 4 2. By renumbering as necessary.
- By WISE of Lee

H-1446 FILED MARCH 27, 1997

LOST

3/27/97  
(P. 894)

HOUSE FILE 613

H-1447

- 1 Amend the amendment, H-1436, to House File 613 as
  - 2 follows:
  - 3 1. Page 3, by striking lines 28 through 37.
  - 4 2. By renumbering as necessary.
- By MERTZ of Kossuth

H-1447 FILED MARCH 27, 1997

ADOPTED 3-27-97

(P. 895)

HOUSE FILE 613

H-1449

- 1 Amend the amendment, H-1436, to House File 613 as
  - 2 follows:
  - 3 1. By striking page 4, line 50, through page 5,
  - 4 line 7.
  - 5 2. By relettering as necessary.
- By FORD of Polk

H-1449 FILED MARCH 27, 1997

WITHDRAWN

3/27/97 (P. 895)

HOUSE FILE 613

H-1451

- 1 Amend the amendment, H-1436, to House File 613 as
  - 2 follows:
  - 3 1. Page 5, line 7, by inserting after the word
  - 4 "seq." the following: ", unless the business is
  - 5 located in a state or federally designated enterprise
  - 6 zone."
- By FORD of Polk

H-1451 FILED MARCH 27, 1997

adopted 3/27/97 (P. 896)

3/31/97 Small Business  
S. 4/3/97 Do. Pass  
S-4/10/97 Unfinished Business Calendar

HOUSE FILE 613  
BY COMMITTEE ON COMMERCE AND  
REGULATION

(SUCCESSOR TO HSB 210)

(As Amended and Passed by the House, March 27, 1997)

Re - Passed House, Date 4/24/97 (p. 1528) Passed Senate, Date 4/23/97  
Vote: Ayes 98 Nays 0 Vote: Ayes 48 Nays 0  
Approved May 29, 1997

A BILL FOR

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

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

1 Section 1. Section 12.32, subsection 1, Code 1997, is  
2 amended to read as follows:

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

8 "Eligible borrower" does not include a person who has been  
9 determined to be delinquent in making child support payments  
10 or any other payments due the state.

11 Sec. 2. Section 12.32, subsection 3, Code 1997, is amended  
12 to read as follows:

13 3. "Linked investment" means a certificate of deposit  
14 placed pursuant to this division by the treasurer of state  
15 with an eligible lending institution, at an interest rate not  
16 more than three percent below current market rates rate on the  
17 condition that the institution agrees to lend the value of the  
18 deposit, according to the investment agreement provided in  
19 section 12.35, to an eligible borrower at a rate not to exceed  
20 four percent above the rate paid on the certificate of  
21 deposit. The treasurer of state shall determine and make  
22 available the current market rate which shall be used each  
23 month.

24 Sec. 3. Section 12.33, Code 1997, is amended to read as  
25 follows:

26 12.33 LEGISLATIVE-FINDINGS-AND-INTENT----PURPOSE PUBLIC  
27 POLICY.

28 1.--The-general-assembly-finds-the-following:

29 a.--That-many-horticultural-operations-throughout-the-state  
30 are-experiencing-economic-stagnation-or-decline.

31 b.--That-high-interest-rates-have-caused-potentially-viable  
32 operations-to-cess-or-not-expand-in-the-area-of-horticultural  
33 or-nontraditional-crop-production,-processing,or-marketing.

34 2.--The It is the public policy of this state that a linked  
35 investments for tomorrow program provided-for-in-this-division

1 is-intended be established to provide statewide availability  
2 of lower cost funds for lending purposes that will inject  
3 needed capital into the business of, and stimulate existing or  
4 encourage new businesses in, the area of producing,  
5 processing, or marketing horticultural or nontraditional  
6 crops.

7 ~~3.--It-is-the-public-policy-of-the-state-through-the-linked~~  
8 ~~investments-for-tomorrow-program-to-create-an-availability-of~~  
9 ~~lower-cost-funds-to-inject-needed-capital-into-the-business-of~~  
10 ~~producing,-processing,--or-marketing-horticultural-crops-or~~  
11 ~~nontraditional-crops.~~

12 Sec. 4. Section 12.34, subsection 1, Code 1997, is amended  
13 to read as follows:

14 1. The treasurer of state may invest up to the lesser of  
15 sixty-five million dollars or ten percent of the balance of  
16 the state pooled money fund in certificates of deposit in  
17 eligible lending institutions pursuant to this division.

18 Sec. 5. Section 12.40, subsection 3, Code 1997, is amended  
19 to read as follows:

20 3. In order to qualify as an eligible borrower, the rural  
21 small business must be located in a city with a population of  
22 five thousand or less. A rural small business located in a  
23 city located in a county with a population in excess of three  
24 one hundred thousand, if the city is contiguous to another  
25 city in the county and that other city is contiguous to the  
26 largest city in that county, shall be ineligible to qualify as  
27 a borrower. In order to qualify under this program, all  
28 owners of the business or borrowers must not have a combined  
29 net worth exceeding five hundred thousand dollars as defined  
30 in rules adopted by the treasurer of state pursuant to chapter  
31 17A and the rural small business must meet all of the  
32 following criteria:

- 33 a. Be a for-profit business under a single management.
- 34 b. Have annual sales of two million dollars or less.
- 35 c. Not be operated out of the home of any person, unless

1 the person is eligible for a deduction on federal income taxes  
2 pursuant to 26 U.S.C. § 280A.

3 d. Not involve real estate investments, rental of real  
4 estate, leasing of real estate, or real estate speculation.

5 e. Not provide the services of persons practicing medicine  
6 and surgery pursuant to chapter 148, dentistry pursuant to  
7 chapter 153, chiropractic pursuant to chapter 151, optometry  
8 pursuant to chapter 154, osteopathic medicine and surgery  
9 pursuant to chapter 150A, podiatry pursuant to chapter 149,  
10 psychology pursuant to chapter 154B, or law pursuant to  
11 section 602.10101 et seq.

12 f. Liquor, beer, and wine sales must not exceed twenty  
13 percent of annual sales.

14 Sec. 6. Section 12.40, subsection 4, Code 1997, is amended  
15 to read as follows:

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

24 Sec. 7. Section 12.40, subsection 7, Code 1997, is amended  
25 to read as follows:

26 7. ~~The~~ During the lifetime of this loan program, the  
27 maximum ~~loan~~ amount of assistance that ~~a~~ an eligible borrower  
28 or a business may receive ~~under~~ through this loan program  
29 shall be fifty thousand dollars. An eligible borrower or  
30 business under this program shall be limited to one loan from  
31 one financial institution.

32 Sec. 8. Section 12.41, subsection 1, Code 1997, is amended  
33 to read as follows:

34 1. In order to qualify as an eligible borrower, the loan  
35 application ~~shall~~ must be for the purchase or lease of land,

1 machinery, equipment, or the purchase of other inputs used in  
2 the business of producing, processing, or marketing  
3 horticultural or nontraditional crops as defined in rules  
4 adopted by the treasurer.

5 Sec. 9. Section 12.43, Code 1997, is amended to read as  
6 follows:

7 12.43 TARGETED FOCUSED SMALL BUSINESS LINKED INVESTMENTS  
8 PROGRAM CREATED -- DEFINITIONS.

9 The treasurer of state shall adopt rules to implement a  
10 targeted focused small business linked investments program to  
11 increase the availability of lower cost funds to inject needed  
12 capital into small businesses owned and operated by women or  
13 minorities, which is the public policy of the state. The  
14 rules shall be in accordance with the following:

15 1. -- "Targeted small business" means a business as defined  
16 in section 15.102, subsection 5.

17 2. -- A linked investment shall only be approved in  
18 connection with a loan application for a targeted small  
19 business which has been certified pursuant to section 10A.104,  
20 subsection 8.

21 1. As used in this section:

22 a. "Focused small business" means a new small business  
23 which is one hundred percent owned, operated, and actively  
24 managed by one or more women, minority persons, or persons  
25 with a disability, provided the business meets all the  
26 requirements of subsection 5.

27 b. "Disability" is defined as provided in section 15.102,  
28 subsection 5.

29 c. "Major life activity" is defined as provided in section  
30 15.102, subsection 5.

31 d. "Minority person" is defined as provided in section  
32 15.102, subsection 5.

33 3. 2. Loan applications for a targeted focused small  
34 business shall be for the purchase of land, machinery,  
35 equipment, or licenses, or patent, trademark, or copyright



1 fees and expenses.

2 4- 3. The During the lifetime of this loan program, the  
3 maximum ~~size-of-a-targeted-small-business-loan-is-two~~ amount  
4 of assistance that an eligible borrower or business may borrow  
5 or receive through this loan program shall be one hundred  
6 fifty thousand dollars per-borrower. An eligible borrower or  
7 business under this program shall be limited to one loan from  
8 one financial institution.

9 5- 4. A preference shall be given to those persons who are  
10 less able than other persons to secure funds for a targeted  
11 focused small business without participation in the targeted  
12 focused small business linked investment program.

13 5. In order to qualify under this program, all owners of  
14 the business or borrowers must not have a combined net worth  
15 exceeding five hundred thousand dollars as defined in rules  
16 adopted by the treasurer of state pursuant to chapter 17A and  
17 the focused small business must meet all of the following  
18 criteria:

- 19 a. Be a for-profit business under a single management.  
20 b. Have annual sales of two million dollars or less.  
21 c. Not be operated out of the home of any person, unless  
22 the person is eligible for a deduction on federal income taxes  
23 pursuant to 26 U.S.C. § 280A.  
24 d. Not involve real estate investments, rental of real  
25 estate, leasing of real estate, or real estate speculation.  
26 e. Not provide the services of persons practicing medicine  
27 and surgery pursuant to chapter 148, dentistry pursuant to  
28 chapter 153, chiropractic pursuant to chapter 151, optometry  
29 pursuant to chapter 154, osteopathic medicine and surgery  
30 pursuant to chapter 150A, podiatry pursuant to chapter 149,  
31 psychology pursuant to chapter 154B, or law pursuant to  
32 section 602.10101 et seq., unless the business is located in a  
33 state or federally designated enterprise zone.  
34 f. Liquor, beer, and wine sales must not exceed twenty  
35 percent of annual sales.

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

6 7. Eligible lending institutions shall verify the borrower  
7 is eligible to participate under the provisions of this  
8 section pursuant to rules adopted by the treasurer of state  
9 pursuant to chapter 17A.

10 Sec. 10. This Act shall have no effect, pursuant to  
11 section 4.13, on loans in effect on the effective date of this  
12 Act.

13 Sec. 11. In addition to the assistance already available  
14 through the department of economic development's targeted  
15 small business program, the department of economic development  
16 shall develop a proposal for "instant buy down" assistance to  
17 targeted small businesses. The department of economic  
18 development shall provide a recommended proposal for this type  
19 of assistance and an estimate of necessary additional funding  
20 for such assistance to the chairpersons of the economic  
21 development appropriation subcommittees of the general  
22 assembly by December 15, 1997.

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## HOUSE FILE 613

S-3681

- 1 Amend House File 613, as amended, passed, and  
2 reprinted by the House, as follows:  
3 1. Page 2, line 15, by striking the words "sixty-  
4 five" and inserting the following: "sixty-eight".  
5 2. Page 2, lines 23 and 24, by striking the words  
6 "three one" and inserting the following: "three".  
7 3. Page 2, line 33, by striking the words "under  
8 a single management".  
9 4. Page 3, by striking lines 5 through 11.  
10 5. Page 3, line 13, by inserting after the word  
11 "sales" the following: "for establishments holding a  
12 class "C" liquor license issued pursuant to section  
13 123.30".  
14 6. Page 3, by striking lines 29 through 31 and  
15 inserting the following: "shall be fifty thousand  
16 dollars."  
17 7. Page 4, line 23, by striking the words "one  
18 hundred percent" and inserting the following: "fifty-  
19 one percent or more".  
20 8. Page 5, line 19, by striking the words "under  
21 a single management".  
22 9. Page 5, by striking lines 26 through 33.  
23 10. Page 5, line 35, by inserting after the word  
24 "sales" the following: "for establishments holding a  
25 class "C" liquor license issued pursuant to section  
26 123.30".  
27 11. By renumbering as necessary.

By NEAL SCHUERER  
TOM FLYNN

S-3681 FILED APRIL 22, 1997

*Adopted**4/23/97**(p. 1350)*

HOUSE FILE 613

S-3632

- 1 Amend House File 613, as amended, passed, and
- 2 reprinted by the House, as follows:
- 3 1. Page 2, line 15, by striking the words "sixty-
- 4 five" and inserting the following: "sixty-eight".
- 5 2. Page 2, lines 23 and 24, by striking the words
- 6 "three one" and inserting the following: "three".
- 7 3. Page 2, line 33, by striking the words "under
- 8 a single management".
- 9 4. Page 3, by striking lines 5 through 11.
- 10 5. Page 3, line 13, by inserting after the word
- 11 "sales" the following: "for establishments holding a
- 12 class "C" liquor license issued pursuant to section
- 13 123.30".
- 14 6. Page 3, line 29, by striking the word "fifty"
- 15 and inserting the following: "fifty one hundred".
- 16 7. Page 4, line 4, by inserting after the word
- 17 "treasurer." the following: "In order to qualify as
- 18 an eligible borrower, all owners of the business or
- 19 borrowers must not have a combined net worth,
- 20 excluding the value of land classified as
- 21 agricultural, exceeding five hundred thousand dollars
- 22 as defined in rules adopted by the treasurer of state
- 23 pursuant to chapter 17A. Loans shall not be made to a
- 24 business which has been in existence for more than
- 25 three years."
- 26 8. Page 4, line 23, by striking the words "one
- 27 hundred percent" and inserting the following: "fifty-
- 28 one percent or more".
- 29 9. Page 5, line 19, by striking the words "under
- 30 a single management".
- 31 10. Page 5, by striking lines 26 through 33.
- 32 11. Page 5, line 35, by inserting after the word
- 33 "sales" the following: "for establishments holding a
- 34 class "C" liquor license issued pursuant to section
- 35 123.30".
- 36 12. By renumbering as necessary.

By NEAL SCHUERER  
TOM FLYNN

S-3632 FILED APRIL 21, 1997

WITHDRAWN

4/23/97 (p.1350)

## SENATE AMENDMENT TO HOUSE FILE 613

H-1869

- 1 Amend House File 613, as amended, passed, and  
2 reprinted by the House, as follows:
- 3 1. Page 2, line 15, by striking the words "sixty-  
4 five" and inserting the following: "sixty-eight".
- 5 2. Page 2, lines 23 and 24, by striking the words  
6 "three one" and inserting the following: "three".
- 7 3. Page 2, line 33, by striking the words "under  
8 a single management".
- 9 4. Page 3, by striking lines 5 through 11.
- 10 5. Page 3, line 13, by inserting after the word  
11 "sales" the following: "for establishments holding a  
12 class "C" liquor license issued pursuant to section  
13 123.30".
- 14 6. Page 3, by striking lines 29 through 31 and  
15 inserting the following: "shall be fifty thousand  
16 dollars.".
- 17 7. Page 4, line 23, by striking the words "one  
18 hundred percent" and inserting the following: "fifty-  
19 one percent or more".
- 20 8. Page 5, line 19, by striking the words "under  
21 a single management".
- 22 9. Page 5, by striking lines 26 through 33. .
- 23 10. Page 5, line 35, by inserting after the word  
24 "sales" the following: "for establishments holding a  
25 class "C" liquor license issued pursuant to section  
26 123.30".
- 27 11. By renumbering as necessary.

RECEIVED FROM THE SENATE

H-1869 FILED APRIL 23, 1997

*House concurred 4/24/97 (p. 1528)*

Metcalf: Chair

Hansen

Wise

HSB 210  
COMMERCE AND REGULATION

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

Approved By  
7/6/3

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

A BILL FOR

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

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1 Section 1. Section 12.32, Code 1997, is amended to read as  
2 follows:

3 12.32 DEFINITIONS.

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

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

11 "Eligible borrower" does not include a person who has been  
12 determined to be or becomes delinquent in making child support  
13 payments or any other payments due the state.

14 2. "Eligible lending institution" means a financial  
15 institution that is empowered to make commercial loans and is  
16 eligible pursuant to chapter 12C to be a depository of state  
17 funds.

18 3. "Linked investment" means a certificate of deposit  
19 placed pursuant to this division by the treasurer of state  
20 with an eligible lending institution, at an interest rate not  
21 more than three percent below current market ~~rates~~ rate on the  
22 condition that the institution agrees to lend the value of the  
23 deposit, according to the investment agreement provided in  
24 section 12.35, to an eligible borrower at a rate not to exceed  
25 four percent above the rate paid on the certificate of  
26 deposit. The treasurer of state shall determine and make  
27 available the current market rate which shall be used each  
28 month.

29 Sec. 2. Section 12.33, Code 1997, is amended to read as  
30 follows:

31 12.33 ~~LEGISLATIVE-FINDINGS-AND-INTENT----~~PURPOSE PUBLIC  
32 POLICY.

33 ~~1:--The-general-assembly-finds-the-following:~~

34 ~~a:--That-many-horticultural-operations-throughout-the-state~~  
35 ~~are-experiencing-economic-stagnation-or-decline.~~

1 ~~b. That high interest rates have caused potentially viable~~  
2 ~~operations to cease or not expand in the area of horticultural~~  
3 ~~or nontraditional crop production, processing, or marketing.~~

4 2. The It is the public policy of this state that a linked  
5 investments for tomorrow program provided for in this division  
6 is intended be established to provide statewide availability  
7 of lower cost funds for lending purposes that will inject  
8 needed capital into the business of, and stimulate existing or  
9 encourage new businesses in the area of, producing,  
10 processing, or marketing horticultural or nontraditional  
11 crops.

12 3. ~~It is the public policy of the state through the linked~~  
13 ~~investments for tomorrow program to create an availability of~~  
14 ~~lower cost funds to inject needed capital into the business of~~  
15 ~~producing, processing, or marketing horticultural crops or~~  
16 ~~nontraditional crops.~~

17 Sec. 3. Section 12.34, subsection 1, Code 1997, is amended  
18 to read as follows:

19 1. The treasurer of state may invest up to the lesser of  
20 sixty-five million dollars or ten percent of the balance of  
21 the state pooled money fund in certificates of deposit in  
22 eligible lending institutions pursuant to this division.

23 Sec. 4. Section 12.40, Code 1997, is amended to read as  
24 follows:

25 12.40 RURAL SMALL BUSINESS TRANSFER LINKED INVESTMENT LOAN  
26 PROGRAM.

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

35 2. The treasurer of state shall adopt rules consistent



1 with this division to implement a rural small business  
2 transfer linked investment loan program to maintain and expand  
3 existing employment opportunities and the provision of retail  
4 goods and services on a local level in small rural communities  
5 by assisting in the transfer-of ownership of retail-oriented  
6 businesses where,--in-the-absence-of-sufficient-financial  
7 assistance,--the-businesses-may-close.

8 3. In order to qualify as an eligible borrower, the rural  
9 small business must be located in a city with a population of  
10 five thousand or less. ~~A-city-located-in-a-county-with-a~~  
11 ~~population-in-excess-of-three-hundred-thousand,--if-the-city-is~~  
12 ~~contiguous-to-another-city-in-the-county-and-that-other-city~~  
13 ~~is-contiguous-to-the-largest-city-in-that-county,--shall-be~~  
14 ~~ineligible-to-qualify-as-a-borrower.~~ In order to qualify  
15 under this program, the borrower must not have a net worth  
16 exceeding five hundred thousand dollars as defined in rules  
17 adopted by the treasurer of state pursuant to chapter 17A and  
18 the rural small business must meet all of the following  
19 criteria:

- 20 a. Be a for-profit business.  
21 b. Have annual sales of two million dollars or less.  
22 c. Not be operated out of the home of any person.  
23 d. Not involve real estate investments, rental of real  
24 estate, leasing of real estate, or real estate speculation.  
25 e. Not provide professional services.  
26 f. Liquor, beer, and wine sales must not exceed twenty  
27 percent of annual sales.

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

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

4 6. A borrower who meets the requirements of subsection 3  
5 may receive a loan under this program for a new rural small  
6 business. Loan proceeds for a new rural small business shall  
7 only be used for the acquisition of inventory, supplies,  
8 machinery, fixtures, and equipment relied upon by the  
9 business.

10 ~~6~~ 7. Loan proceeds shall not be used to refinance  
11 existing debt, including credit card debt. However, proceeds  
12 may be used to refinance a short-term bridge loan made in  
13 anticipation of the treasurer's approval of the linked  
14 investment loan package.

15 ~~7~~ 8. The maximum loan amount that a borrower or a  
16 business may receive under during the lifetime of this loan  
17 program shall be fifty thousand dollars.

18 9. An eligible borrower with an outstanding loan made  
19 under either the main street linked investments loan program,  
20 as created in section 12.51, Code 1995, or the targeted small  
21 business linked investments program, as created in section  
22 12.43, Code 1997, shall be eligible to participate under the  
23 provisions of this division for the remaining period of  
24 eligibility under either of those programs.

25 Sec. 5. Section 12.41, subsection 1, Code 1997, is amended  
26 to read as follows:

27 1. In order to qualify as an eligible borrower, the  
28 borrower must not have a net worth exceeding five hundred  
29 thousand dollars as defined in the rules adopted by the  
30 treasurer and the loan application shall must be for the  
31 purchase or lease of land, machinery, equipment, or the  
32 purchase of other inputs used in the business of producing,  
33 processing, or marketing horticultural or nontraditional crops  
34 as defined in rules adopted by the treasurer.

35 Sec. 6. Section 12.41, subsection 3, Code 1997, is amended

1 to read as follows:

2 3. The maximum loan amount that an eligible or new  
3 borrower may receive under during the lifetime of this loan  
4 program is two hundred thousand dollars ~~for a production loan~~  
5 ~~and five hundred thousand dollars for processing or marketing~~  
6 facilities. Loans made under this program shall qualify for  
7 the below market rate on the first fifty thousand dollars  
8 loaned only. Each month the treasurer of state shall  
9 determine and make available a blended rate for all loan  
10 amounts above the first fifty thousand dollars loaned under  
11 the program. A borrower under this program shall be limited  
12 to one loan from one financial institution.

13 Sec. 7. Section 12.43, Code 1997, is repealed.

14 Sec. 8. Loan applications on file with the treasurer of  
15 state on the effective date of this Act for the targeted small  
16 business linked investment program shall be considered  
17 eligible to be considered for participation under the relevant  
18 linked deposit program in this division.

19 EXPLANATION

20 This bill relates to the linked investments programs in  
21 Code chapter 12.

22 The bill amends Code section 12.32 relating to the  
23 definitions used in the program. The bill provides that a  
24 person does not qualify as an eligible borrower if the person  
25 has been determined to be or becomes delinquent in paying  
26 child support or any other payments due the state. The bill  
27 provides that the treasurer of state shall determine and make  
28 available each month the current market rate which shall be  
29 used by institutions in determining interest rates for  
30 certificates of deposit placed by the treasurer of state. The  
31 bill provides that the treasurer of state may invest up to the  
32 lesser of \$65 million or 10 percent of the balance of the  
33 state pooled money fund in certificates of deposit under the  
34 linked deposit programs.

35 The bill provides that the rural small business program is

1 a loan program for an existing or new rural small business  
2 located in a city with a population of 5,000 or less. The  
3 bill provides that the program is not limited to situations  
4 involving the transfer of ownership of an existing business.  
5 In order to qualify under the program, the borrower must have  
6 a net worth of \$500,000 or less and the business must be a  
7 for-profit business, the business must have annual sales of  
8 \$2,000,000 or less, the business must not be operated out of  
9 any person's home, the business must not conduct real estate  
10 transactions, the business must not provide professional  
11 services, and liquor, beer, and wine sales must not exceed 20  
12 percent of annual sales.

13 The bill provides that loan proceeds for a new rural small  
14 business under the rural small business linked investment loan  
15 program shall only be used for the purchase of inventory,  
16 supplies, machinery, fixtures, and equipment relied upon by  
17 the business.

18 The bill provides that the maximum amount that a borrower  
19 or a business may receive during the lifetime of the rural  
20 small business linked investment loan program shall be  
21 \$50,000. The bill provides that eligible businesses receiving  
22 loans made under the main street linked investments loan  
23 program or the targeted small business linked investments  
24 program which remain outstanding shall be eligible to  
25 participate under this program for the remaining eligibility  
26 period under those two programs.

27 The bill amends the horticultural and nontraditional crops  
28 linked investment loan program by providing that an eligible  
29 borrower shall not have a net worth exceeding \$500,000 and the  
30 maximum amount a borrower may receive during the lifetime of  
31 this loan program is \$200,000. The bill provides that loans  
32 made under the program shall qualify for the below market rate  
33 for the first \$50,000 loaned and a blended rate for all  
34 amounts over the first \$50,000 loaned under the program. The  
35 bill provides that a borrower under the program shall be

1 limited to one loan from one financial institution.

2 The bill repeals the targeted small business linked  
3 investments program under Code section 12.43. The targeted  
4 small business linked investments program was created to  
5 provide lower cost moneys to inject capital into small  
6 businesses owned and operated by women or minorities. A  
7 moratorium on new linked investments under this program is  
8 currently in place until June 30, 1997, pursuant to 1996 Iowa  
9 Acts, chapter 1058, section 9.

10 Loan applications on file with the treasurer of state on  
11 the effective date of this Act for the targeted small business  
12 linked investments program shall be eligible to be considered  
13 under the relevant linked deposit program in this division.

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HOUSE FILE 613

AN ACT

RELATING TO LINKED DEPOSIT INVESTMENT PROGRAMS.

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

Section 1. Section 12.32, subsection 1, Code 1997, is amended to read as follows:

1. "Eligible borrower" means any person who is in the business or is entering the business of producing, processing, or marketing horticultural crops or nontraditional crops in this state or any person in this state who is qualified to participate in one of the programs in this division. "Eligible borrower" does not include a person who has been determined to be delinquent in making child support payments or any other payments due the state.

Sec. 2. Section 12.32, subsection 3, Code 1997, is amended to read as follows:

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

Sec. 3. Section 12.33, Code 1997, is amended to read as follows:

12.33 ~~LEGISLATIVE FINDINGS AND INTENT~~---PURPOSE PUBLIC POLICY.

~~1---The general assembly finds the following:  
a---That many horticultural operations throughout the state are experiencing economic stagnation or decline.~~

~~b---That high interest rates have caused potentially viable operations to cease or not expand in the area of horticultural or nontraditional crop production, processing, or marketing.~~

2---The It is the public policy of this state that a linked investments for tomorrow program provided for in this division is intended be established to provide statewide availability of lower cost funds for lending purposes that will inject needed capital into the business of, and stimulate existing or encourage new businesses in, the area of producing, processing, or marketing horticultural or nontraditional crops.

3---~~It is the public policy of the state through the linked investments for tomorrow program to create an availability of lower cost funds to inject needed capital into the business of producing, processing, or marketing horticultural crops or nontraditional crops.~~

Sec. 4. Section 12.34, subsection 1, Code 1997, is amended to read as follows:

1. The treasurer of state may invest up to the lesser of sixty-eight million dollars or ten percent of the balance of the state pooled money fund in certificates of deposit in eligible lending institutions pursuant to this division.

Sec. 5. Section 12.40, subsection 3, Code 1997, is amended to read as follows:

3. In order to qualify as an eligible borrower, the rural small business must be located in a city with a population of five thousand or less. A rural small business located in a city located in a county with a population in excess of three hundred thousand, if the city is contiguous to another city in the county and that other city is contiguous to the largest city in that county, shall be ineligible to qualify as a borrower. In order to qualify under this program, all owners of the business or borrowers must not have a combined net worth exceeding five hundred thousand dollars as defined in rules adopted by the treasurer of state pursuant to chapter 17A and the rural small business must meet all of the following criteria:

a. Be a for-profit business.

- b. Have annual sales of two million dollars or less.
- c. Not be operated out of the home of any person, unless the person is eligible for a deduction on federal income taxes pursuant to 26 U.S.C. § 280A.
- d. Not involve real estate investments, rental of real estate, leasing of real estate, or real estate speculation.
- e. Liquor, beer, and wine sales must not exceed twenty percent of annual sales for establishments holding a class "C" liquor license issued pursuant to section 123.30.

Sec. 6. Section 12.40, subsection 4, Code 1997, is amended to read as follows:

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

Sec. 7. Section 12.40, subsection 7, Code 1997, is amended to read as follows:

7. The During the lifetime of this loan program, the maximum loan amount of assistance that a an eligible borrower or a business may receive under through this loan program shall be fifty thousand dollars.

Sec. 8. Section 12.41, subsection 1, Code 1997, is amended to read as follows:

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

Sec. 9. Section 12.43, Code 1997, is amended to read as follows:

12.43 TARGETED FOCUSED SMALL BUSINESS LINKED INVESTMENTS PROGRAM CREATED -- DEFINITIONS.

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

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

~~2. A linked investment shall only be approved in connection with a loan application for a targeted small business which has been certified pursuant to section 10A.104, subsection 8.~~

1. As used in this section:

a. "Focused small business" means a new small business which is fifty-one percent or more owned, operated, and actively managed by one or more women, minority persons, or persons with a disability, provided the business meets all the requirements of subsection 5.

b. "Disability" is defined as provided in section 15.102, subsection 5.

c. "Major life activity" is defined as provided in section 15.102, subsection 5.

d. "Minority person" is defined as provided in section 15.102, subsection 5.

~~3. 2.~~ Loan applications for a targeted focused small business shall be for the purchase of land, machinery, equipment, or licenses, or patent, trademark, or copyright fees and expenses.

~~4. 3.~~ The During the lifetime of this loan program, the maximum size of a targeted small business loan is two amount of assistance that an eligible borrower or business may borrow or receive through this loan program shall be one hundred fifty thousand dollars per borrower. An eligible borrower or business under this program shall be limited to one loan from one financial institution.

~~5. 4.~~ A preference shall be given to those persons who are less able than other persons to secure funds for a targeted

focused small business without participation in the targeted focused small business linked investment program.

5. In order to qualify under this program, all owners of the business or borrowers must not have a combined net worth exceeding five hundred thousand dollars as defined in rules adopted by the treasurer of state pursuant to chapter 17A and the focused small business must meet all of the following criteria:

a. Be a for-profit business.  
b. Have annual sales of two million dollars or less.  
c. Not be operated out of the home of any person, unless the person is eligible for a deduction on federal income taxes pursuant to 26 U.S.C. § 280A.

d. Not involve real estate investments, rental of real estate, leasing of real estate, or real estate speculation.

e. Liquor, beer, and wine sales must not exceed twenty percent of annual sales for establishments holding a class "C" liquor license issued pursuant to section 123.30.

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

7. Eligible lending institutions shall verify the borrower is eligible to participate under the provisions of this section pursuant to rules adopted by the treasurer of state pursuant to chapter 17A.

Sec. 10. This Act shall have no effect, pursuant to section 4.13, on loans in effect on the effective date of this Act.

Sec. 11. In addition to the assistance already available through the department of economic development's targeted small business program, the department of economic development shall develop a proposal for "instant buy down" assistance to targeted small businesses. The department of economic development shall provide a recommended proposal for this type of assistance and an estimate of necessary additional funding

for such assistance to the chairpersons of the economic development appropriation subcommittees of the general assembly by December 15, 1997.

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RON J. CORBETT  
Speaker of the House

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MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 613, Seventy-seventh General Assembly.

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ELIZABETH ISAACSON  
Chief Clerk of the House

Approved *May 29*, 1997

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TERRY E. BRANSTAD  
Governor