

# House Study Bill 210

## Bill Text

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1 1 Section 1. Section [12.32](#), Code 1997, is amended to read as  
1 2 follows:

1 3 12.32 DEFINITIONS.

1 4 As used in this division, unless the context otherwise  
1 5 requires:

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

1 11 "Eligible borrower" does not include a person who has been  
1 12 determined to be or becomes delinquent in making child support  
1 13 payments or any other payments due the state.

1 14 2. "Eligible lending institution" means a financial  
1 15 institution that is empowered to make commercial loans and is  
1 16 eligible pursuant to chapter 12C to be a depository of state  
1 17 funds.

1 18 3. "Linked investment" means a certificate of deposit  
1 19 placed pursuant to this division by the treasurer of state  
1 20 with an eligible lending institution, at an interest rate not  
1 21 more than three percent below current market

~~rates~~

~~- rate on the~~

1 22 condition that the institution agrees to lend the value of the  
1 23 deposit, according to the investment agreement provided in  
1 24 section 12.35, to an eligible borrower at a rate not to exceed  
1 25 four percent above the rate paid on the certificate of  
1 26 deposit. The treasurer of state shall determine and make  
1 27 available the current market rate which shall be used each  
1 28 month.

1 29 Sec. 2. Section [12.33](#), Code 1997, is amended to read as  
1 30 follows:

1 31 12.33

~~LEGISLATIVE FINDINGS AND INTENT PURPOSE~~

~~- PUBLIC~~

1 32 POLICY.

1 33

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

1 34

~~a. That many horticultural operations throughout the state~~

1 35

~~are experiencing economic stagnation or decline.~~

2 1

~~b. That high interest rates have caused potentially viable~~

2 2

~~operations to cease or not expand in the area of horticultural~~

2 3

~~or nontraditional crop production, processing, or marketing.~~

2 4

~~2. The~~

~~It is the public policy of this state that a linked~~  
2 5 investments for tomorrow program

~~provided for in this division~~

2 6

~~is intended~~

~~be established~~ to provide statewide availability  
2 7 of lower cost funds for lending purposes that will inject  
2 8 needed capital into the business of, and stimulate existing or  
2 9 encourage new businesses in the area of, producing,  
2 10 processing, or marketing horticultural or nontraditional  
2 11 crops.  
2 12

~~3. It is the public policy of the state through the linked~~

2 13

~~investments for tomorrow program to create an availability of~~

2 14

~~lower cost funds to inject needed capital into the business of~~

2 15

~~producing, processing, or marketing horticultural crops or~~

2 16

~~nontraditional crops.~~

2 17 Sec. 3. Section [12.34](#), subsection 1, Code 1997, is amended  
2 18 to read as follows:

2 19 1. The treasurer of state may invest up to the lesser of  
2 20 sixty-five million dollars or ten percent of the balance of  
2 21 the state pooled money fund in certificates of deposit in  
2 22 eligible lending institutions pursuant to this division.

2 23 Sec. 4. Section [12.40](#), Code 1997, is amended to read as  
2 24 follows:

2 25 12.40 RURAL SMALL BUSINESS

#### ~~TRANSFER~~

~~LINKED INVESTMENT LOAN~~  
2 26 PROGRAM.

2 27 1. As used in this section, "rural small business" means  
2 28 an existing or new rural small business, for which local  
2 29 competition does not exist in the principal realm of business  
2 30 activity of that business, and the loss of which will work a  
2 31 hardship on the rural community.

~~A rural small business may~~

2 32

~~include a grocery store, drug store, gasoline station,~~

2 33

~~convenience store, hardware business, or farm supply store. A~~

2 34

~~rural small business does not include a new business.~~

2 35 2. The treasurer of state shall adopt rules consistent

3 1 with this division to implement a rural small business

3 2

~~transfer~~

- linked investment loan program to maintain and expand

3 3 existing employment opportunities and the provision of

~~retail~~

3 4 goods and services on a local level in small rural communities

3 5 by assisting in the

~~transfer of~~

- ownership of

~~retail oriented~~

3 6 businesses

~~where, in the absence of sufficient financial~~

3 7

~~assistance, the businesses may close~~

3 8 3. In order to qualify as an eligible borrower, the rural

3 9 small business must be located in a city with a population of

3 10 five thousand or less.

~~A city located in a county with a~~

3 11

~~population in excess of three hundred thousand, if the city is~~

3 12

~~contiguous to another city in the county and that other city~~

3 13

~~is contiguous to the largest city in that county, shall be~~

3 14

~~ineligible to qualify as a borrower.~~

- In order to qualify

3 15 under this program, the borrower must not have a net worth

3 16 exceeding five hundred thousand dollars as defined in rules

3 17 adopted by the treasurer of state pursuant to chapter 17A and

3 18 the rural small business must meet all of the following

3 19 criteria:

3 20 a. Be a for-profit business.

3 21 b. Have annual sales of two million dollars or less.

3 22 c. Not be operated out of the home of any person.

3 23 d. Not involve real estate investments, rental of real

3 24 estate, leasing of real estate, or real estate speculation.

3 25 e. Not provide professional services.  
3 26 f. Liquor, beer, and wine sales must not exceed twenty  
3 27 percent of annual sales.  
3 28 4. In order to qualify as an eligible borrower, the  
3 29 transfer of

~~the~~

- an existing rural small business must be by  
3 30 purchase, lease-purchase, or contract of sale. The purchase  
3 31 must be for a portion of the business which is essential to  
3 32 its continued viability, including

~~real estate where the~~

-  
3 33

~~business is located,~~  
- fixtures

~~attached to the real estate,~~

-  
3 34 equipment, supplies, and machinery relied upon by the  
3 35 business, and inventory for sale by the business.  
4 1 5. In order to qualify as an eligible borrower, a borrower  
4 2 and the seller of

~~the~~

- an existing rural small business shall  
4 3 not be within the third degree of consanguinity or affinity.  
4 4 6. A borrower who meets the requirements of subsection 3  
4 5 may receive a loan under this program for a new rural small  
4 6 business. Loan proceeds for a new rural small business shall  
4 7 only be used for the acquisition of inventory, supplies,  
4 8 machinery, fixtures, and equipment relied upon by the  
4 9 business.  
4 10

~~6.~~

- 7. Loan proceeds shall not be used to refinance  
4 11 existing debt, including credit card debt. However, proceeds  
4 12 may be used to refinance a short-term bridge loan made in  
4 13 anticipation of the treasurer's approval of the linked  
4 14 investment loan package.  
4 15

~~7.~~

- 8. The maximum

~~loan~~

- amount that a borrower or a  
4 16 business may receive

~~under~~

- during the lifetime of this loan  
4 17 program shall be fifty thousand dollars.  
4 18 9. An eligible borrower with an outstanding loan made  
4 19 under either the main street linked investments loan program,  
4 20 as created in section 12.51, Code 1995, or the targeted small  
4 21 business linked investments program, as created in section  
4 22 12.43, Code 1997, shall be eligible to participate under the  
4 23 provisions of this division for the remaining period of  
4 24 eligibility under either of those programs.  
4 25 Sec. 5. Section 12.41, subsection 1, Code 1997, is amended  
4 26 to read as follows:  
4 27 1. In order to qualify as an eligible borrower, the  
4 28 borrower must not have a net worth exceeding five hundred  
4 29 thousand dollars as defined in the rules adopted by the

4 30 treasurer and the loan application

~~shall~~

- must be for the

4 31 purchase or lease of land, machinery, equipment, or the  
4 32 purchase of other inputs used in the business of producing,  
4 33 processing, or marketing horticultural or nontraditional crops  
4 34 as defined in rules adopted by the treasurer.

4 35 Sec. 6. Section 12.41, subsection 3, Code 1997, is amended  
5 1 to read as follows:

5 2 3. The maximum

~~loan~~

- amount that an eligible or new

5 3 borrower may receive

~~under~~

- during the lifetime of this loan

5 4 program is two hundred thousand dollars

~~for a production loan~~

-

5 5

~~and five hundred thousand dollars for processing or marketing~~

-

5 6

~~facilities~~

- Loans made under this program shall qualify for

5 7 the below market rate on the first fifty thousand dollars  
5 8 loaned only. Each month the treasurer of state shall  
5 9 determine and make available a blended rate for all loan  
5 10 amounts above the first fifty thousand dollars loaned under  
5 11 the program. A borrower under this program shall be limited  
5 12 to one loan from one financial institution.

5 13 Sec. 7. Section 12.43, Code 1997, is repealed.

5 14 Sec. 8. Loan applications on file with the treasurer of  
5 15 state on the effective date of this Act for the targeted small  
5 16 business linked investment program shall be considered  
5 17 eligible to be considered for participation under the relevant  
5 18 linked deposit program in this division.

5 19 EXPLANATION

5 20 This bill relates to the linked investments programs in  
5 21 Code chapter 12.

5 22 The bill amends Code section 12.32 relating to the  
5 23 definitions used in the program. The bill provides that a  
5 24 person does not qualify as an eligible borrower if the person  
5 25 has been determined to be or becomes delinquent in paying  
5 26 child support or any other payments due the state. The bill  
5 27 provides that the treasurer of state shall determine and make  
5 28 available each month the current market rate which shall be  
5 29 used by institutions in determining interest rates for  
5 30 certificates of deposit placed by the treasurer of state. The  
5 31 bill provides that the treasurer of state may invest up to the  
5 32 lesser of \$65 million or 10 percent of the balance of the  
5 33 state pooled money fund in certificates of deposit under the  
5 34 linked deposit programs.

5 35 The bill provides that the rural small business program is  
6 1 a loan program for an existing or new rural small business  
6 2 located in a city with a population of 5,000 or less. The  
6 3 bill provides that the program is not limited to situations  
6 4 involving the transfer of ownership of an existing business.  
6 5 In order to qualify under the program, the borrower must have  
6 6 a net worth of \$500,000 or less and the business must be a  
6 7 for-profit business, the business must have annual sales of  
6 8 \$2,000,000 or less, the business must not be operated out of

6 9 any person's home, the business must not conduct real estate  
6 10 transactions, the business must not provide professional  
6 11 services, and liquor, beer, and wine sales must not exceed 20  
6 12 percent of annual sales.

6 13 The bill provides that loan proceeds for a new rural small  
6 14 business under the rural small business linked investment loan  
6 15 program shall only be used for the purchase of inventory,  
6 16 supplies, machinery, fixtures, and equipment relied upon by  
6 17 the business.

6 18 The bill provides that the maximum amount that a borrower  
6 19 or a business may receive during the lifetime of the rural  
6 20 small business linked investment loan program shall be  
6 21 \$50,000. The bill provides that eligible businesses receiving  
6 22 loans made under the main street linked investments loan  
6 23 program or the targeted small business linked investments  
6 24 program which remain outstanding shall be eligible to  
6 25 participate under this program for the remaining eligibility  
6 26 period under those two programs.

6 27 The bill amends the horticultural and nontraditional crops  
6 28 linked investment loan program by providing that an eligible  
6 29 borrower shall not have a net worth exceeding \$500,000 and the  
6 30 maximum amount a borrower may receive during the lifetime of  
6 31 this loan program is \$200,000. The bill provides that loans  
6 32 made under the program shall qualify for the below market rate  
6 33 for the first \$50,000 loaned and a blended rate for all  
6 34 amounts over the first \$50,000 loaned under the program. The  
6 35 bill provides that a borrower under the program shall be  
7 1 limited to one loan from one financial institution.

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

7 10 Loan applications on file with the treasurer of state on  
7 11 the effective date of this Act for the targeted small business  
7 12 linked investments program shall be eligible to be considered  
7 13 under the relevant linked deposit program in this division.

7 14 LSB 2121YC 77

7 15 tm/jj/8