

FILED MAR 26 1998

SENATE FILE 2412

BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO SSB 2213)

(p. 1223)
Passed Senate, Date 4-14-98

Passed House, Date _____

Vote: Ayes 41 Nays 2

Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to linked investment deposits by providing a low-
2 interest loan program to assist persons involved in value-
3 added agricultural processing.

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

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S.F. 2412.

1 Section 1. Section 12.32, Code Supplement 1997, is amended
2 by adding the following new subsection:

3 NEW SUBSECTION. 4. "Qualified linked investment" means a
4 linked investment in which a certificate of deposit is placed
5 by the treasurer of state with an eligible lending institution
6 under the value-added agricultural linked investment program
7 established under section 12.42.

8 Sec. 2. Section 12.34, Code Supplement 1997, is amended to
9 read as follows:

10 12.34 LINKED INVESTMENTS -- LIMITATIONS -- RULES --
11 MATURITY AND RENEWAL OF CERTIFICATES.

12 1. The treasurer of state may invest up to the lesser of
13 sixty-eight one hundred eight million dollars or ten percent
14 of the balance of the state pooled money fund in certificates
15 of deposit in eligible lending institutions pursuant to this
16 division. The treasurer of state shall allocate forty million
17 dollars of the amount authorized for investment under this
18 subsection for purposes of supporting the value-added
19 agricultural linked investment program established in section
20 12.42. The treasurer of state shall provide for the security
21 of the deposits made to eligible lending institutions as
22 provided in chapter 12C.

23 2. The treasurer of state shall adopt rules pursuant to
24 chapter 17A to administer this division.

25 3. The following shall apply to a certificate of deposit,
26 which is placed with an eligible lending institution by the
27 treasurer of state pursuant to this division:

28 a. Certificates A certificate of deposit, which is not
29 part of a qualified linked investment, placed by the treasurer
30 of state with an eligible lending institution on or after July
31 1, 1996, pursuant-to-this-division may be renewed at the
32 option of the treasurer. The initial certificate of deposit
33 for a given borrower shall have a maturity of one year and may
34 be renewed for eight additional one-year periods.

35 b. A certificate of deposit which is part of a qualified

1 linked investment placed by the treasurer of state with an
2 eligible lending institution shall have a maturity of up to
3 eighteen months. The certificate of deposit may be renewed at
4 the option of the treasurer on an annual basis for a total
5 term not to exceed nine years.

6 Sec. 3. NEW SECTION. 12.42 VALUE-ADDED AGRICULTURAL
7 LINKED INVESTMENT PROGRAM.

8 1. The treasurer of state shall establish and administer,
9 and adopt rules as necessary to establish and administer, a
10 value-added agricultural linked investment program. The
11 purpose of the program is to provide capital in the form of
12 low-interest loans in order to do any of the following:

13 a. Stimulate existing businesses or encourage the
14 establishment of new businesses that add value through the
15 processing of agricultural commodities.

16 b. Encourage the production of agricultural commodities,
17 if a shortage in production exists.

18 2. A borrower shall be eligible to participate in the
19 value-added agricultural linked investment program, to the
20 extent that the borrower meets eligibility requirements
21 established by the treasurer of state in cooperation with the
22 department of economic development as provided in section
23 15.204.

24 3. A borrower shall not receive a loan of more than one
25 million dollars under this program.

26 Sec. 4. NEW SECTION. 15.204 VALUE-ADDED AGRICULTURAL
27 LINKED INVESTMENT PROGRAM.

28 The agricultural products advisory council established in
29 section 15.203 shall recommend to the treasurer of state and
30 the department of economic development eligibility requirements
31 for borrowers to participate in the value-added agricultural
32 linked investment program established in section 12.42. The
33 treasurer of state, in cooperation with the department, shall
34 establish the eligibility requirements by rule adopted
35 pursuant to chapter 17A.

EXPLANATION

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This bill amends the "Linked Investments for Tomorrow Act", by providing for qualified linked investments in which the treasurer of state places a certificate of deposit with an eligible lending institution at a certain interest rate on the condition that the institution agrees to lend the value of the deposit to an eligible borrower at a special rate. The moneys must be used to support a value-added agricultural linked investment program administered by the treasurer of state.

The purpose of the program is to provide capital in the form of low-interest loans in order to stimulate existing or to encourage new businesses that add value through the processing of agricultural commodities and to encourage the production of agricultural commodities, if there is a shortage in production.

The agricultural products advisory council is required to recommend requirements to the treasurer of state and the department of economic development to establish eligibility requirements.

This bill increases the amount of moneys that the treasurer of state may invest in the linked investment program from \$68 million to \$108 million. The treasurer of state is prohibited from depositing more than 10 percent of the balance of the state pooled money fund in certificates of deposit in eligible lending institutions pursuant to this division of Code chapter 12. The bill provides that the treasurer of state must allocate \$40 million for purposes of supporting the value-added agricultural linked investment program. A borrower is not eligible to receive more than \$1 million in program assistance. The bill provides that an initial certificate of deposit which is part of a qualified linked investment placed with an eligible lending institution has a maturity of up to 18 months. It may be renewed at the option of the treasurer of state each year for nine years.

**SENATE FILE 2412
FISCAL NOTE**

A fiscal note for Senate File 2412 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2412 increases the limit for the Linked Investment for Tomorrow (LIFT) Program from \$68.0 million to \$108.0 million. The Bill also expands the LIFT Program by requiring up to \$40.0 million of the allowed LIFT investment to be allocated for value-added agriculture projects. LIFT financing is available for up to \$1.0 million per project. A project may receive LIFT financing for a total of nine years.

BACKGROUND

The LIFT Program is financed through investment of a portion of the State's Pooled Money Fund. The Treasurer of State purchases a Certificate of Deposit (CD) through a participating financial institution in an amount equal to the financing approved for a project. The CD interest rate is established at 3.0% below the market interest rate. The financial institution then provides a loan to the project at a rate not more than 4.0% above the CD rate. The State subsidy for the project is the reduced interest returned to the State.

ASSUMPTIONS

1. The average amount loaned during the first fiscal year will be \$14.75 million.
2. The average amount loaned in the second and subsequent fiscal years will be \$40.0 million.

FISCAL IMPACT

Senate File 2412 is expected to decrease revenues to the General Fund by \$443,000 in FY 1999 and \$1.2 million in FY 2000 and beyond.

SOURCE

State Treasurer

(LSB 4404SV, JWR)

FILED APRIL 1, 1998

BY DENNIS PROUTY, FISCAL DIRECTOR

McLaren
Rife
Black
Rensink
Vilsack

SSB-2213
Appropriations

Succeeded By
SENATE FILE SE/HF 2412
BY (PROPOSED COMMITTEE ON
APPROPRIATIONS BILL BY
CHAIRPERSON McLAREN)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

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15 of deposit in eligible lending institutions pursuant to this
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17 dollars of the amount authorized for investment under this
18 subsection for purposes of supporting the value-added
19 agricultural linked investment program established in section
20 12.42. The treasurer of state shall provide for the security
21 of the deposits made to eligible lending institutions as
22 provided in chapter 12C.

23 2. The treasurer of state shall adopt rules pursuant to
24 chapter 17A to administer this division.

25 3. The following shall apply to a certificate of deposit,
26 which is placed with an eligible lending institution by the
27 treasurer of state pursuant to this division:

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14 establishment of new businesses that add value through the
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32 linked investment program established in section 12.42. The
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34 establish the eligibility requirements by rule adopted
35 pursuant to chapter 17A.

EXPLANATION

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3 by providing for qualified linked investments in which the
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23 from depositing more than 10 percent of the balance of the
24 state pooled money fund in certificates of deposit in eligible
25 lending institutions pursuant to this division of Code chapter
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27 allocate \$40 million for purposes of supporting the value-
28 added agricultural linked investment program. A borrower is
29 not eligible to receive more than \$1 million in program
30 assistance. The bill provides that an initial certificate of
31 deposit which is part of a qualified linked investment placed
32 with an eligible lending institution has a maturity of up to
33 18 months. It may be renewed at the option of the treasurer
34 of state each year for nine years.

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