

Greiner, Ch.  
Klemme  
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Merty

HSB 78

Agriculture

SUBMITTED BY  
SF/HF

HOUSE FILE \_\_\_\_\_

BY (PROPOSED COMMITTEE ON  
AGRICULTURE BILL BY  
CHAIRPERSON KLEMME)

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

**A BILL FOR**

1 An Act providing for an emergency assistance linked deposit  
2 program for swine producers, and providing an effective date.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section ~~11.32~~ Section 12.34, Code 1999, is amended to read as  
2 follows:

3 12.34 LINKED INVESTMENTS -- LIMITATIONS -- RULES --  
4 MATURITY AND RENEWAL OF CERTIFICATES.

5 1. The treasurer of state may invest up to the lesser of  
6 ~~sixty-eight~~ one hundred fifty million dollars or ten percent  
7 of the balance of the state pooled money fund in certificates  
8 of deposit in eligible lending institutions ~~pursuant to~~ as  
9 provided in this division. The moneys invested pursuant to  
10 this section shall be used as follows:

11 a. The treasurer of state may invest the first sixty-eight  
12 million dollars to support programs provided in this division  
13 other than the emergency assistance linked investment program  
14 for swine producers provided in section 12.43A.

15 b. The treasurer of state shall invest the remaining  
16 amount to support the emergency assistance linked deposit  
17 program for swine producers as provided in section 12.43A.  
18 The treasurer of state shall not make the investment unless a  
19 market emergency exists. If a market emergency exists, the  
20 treasurer of state shall make the investment immediately. For  
21 purposes of this paragraph, a market emergency exists when the  
22 market price paid in this state and southern Minnesota for  
23 swine per hundredweight on a live basis is less than thirty  
24 dollars for thirty consecutive days, according to market news  
25 reports published by the agricultural marketing service of the  
26 United States department of agriculture.

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

29 3. Certificates of deposit placed by the treasurer of  
30 state on or after July 1, 1996, pursuant to this division may  
31 be renewed at the option of the treasurer of state. The  
32 initial certificate of deposit for a given borrower shall have  
33 a maturity of one year and may be renewed for eight additional  
34 one-year periods.

35 Sec. 2. NEW SECTION. 12.43A EMERGENCY ASSISTANCE LINKED

1 DEPOSIT PROGRAM FOR SWINE PRODUCERS.

2 1. As used in this section, unless the context otherwise  
3 requires:

4 a. "Actively engaged in farming" means the same as defined  
5 in section 9H.1.

6 b. "Farming" means the same as defined in section 9H.1.

7 2. The treasurer of state shall adopt rules to implement  
8 an emergency assistance linked deposit program for swine  
9 producers. The purpose of the program is to increase the  
10 availability of lower cost loans to provide emergency  
11 financial assistance to farmers threatened with financial  
12 calamity due to the market price of swine.

13 3. The loan shall be subject to all of the following:

14 a. In order to qualify as an eligible borrower, all of the  
15 following must apply:

16 (1) The applicant must be a resident of this state.

17 (2) The applicant for the loan must be actively engaged in  
18 farming in this state.

19 (3) The applicant must not have owned more than two  
20 hundred head of sows at any time during the last twelve  
21 months.

22 (4) The applicant must not have provided for the care and  
23 feeding of swine under contract.

24 b. The purpose of the loan must be used to support farming  
25 operations on an emergency basis, and may be used to refinance  
26 existing debt.

27 4. The maximum loan amount that an eligible borrower may  
28 receive under this program is one hundred thousand dollars.

29 Sec. 3. EFFECTIVE DATE. This Act, being deemed of  
30 immediate importance, takes effect upon enactment.

31 EXPLANATION

32 This bill amends Code section 12.34, which establishes the  
33 funding source for linked investment loan programs. Under the  
34 section, the treasurer of state may invest up to \$68 million  
35 or 10 percent of the balance of the state pooled money fund in

1 certificates of deposit in eligible financial institutions for  
2 purposes of supporting low-interest loans.

3 This bill increases the amount that the treasurer of state  
4 may invest up to \$150 million. The amount of the increase  
5 must be used to support an emergency assistance linked deposit  
6 program for swine producers. The treasurer of state cannot  
7 make an investment to support the program unless a market  
8 emergency exists. If a market emergency exists, the treasurer  
9 of state shall make the investment immediately. The bill  
10 provides that a market emergency is based on the market price  
11 paid in this state and southern Minnesota for swine per  
12 hundredweight on a live basis.

13 The bill requires the treasurer of state to adopt rules to  
14 implement the program. The purpose of the program is to  
15 increase the availability of lower cost loans to provide  
16 emergency financial assistance to swine producers threatened  
17 with financial calamity due to the market price of swine. The  
18 bill establishes eligibility requirements for borrowers and  
19 provides that the loan must be used to support farming  
20 operations on an emergency basis and may be used to refinance  
21 existing debt. According to the bill, the maximum loan amount  
22 that an eligible borrower may receive is \$100,000.

23 The bill takes effect upon enactment.

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MAR 8 1999

COMMERCE AND REGULATION

3/11/99 Rereferred To: Approp

**533**

HOUSE FILE  
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 78)

**WITHDRAWN**

4-27-99 (P. 1742)

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

**A BILL FOR**

1 An Act providing for an emergency assistance linked deposit  
2 program for swine or cattle producers, and providing an  
3 effective date.

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

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**HF 533**

1 Section 1. Section 12.34, Code 1999, is amended to read as  
2 follows:

3 12.34 LINKED INVESTMENTS -- LIMITATIONS -- RULES --  
4 MATURITY AND RENEWAL OF CERTIFICATES.

5 1. The treasurer of state may invest up to the lesser of  
6 ~~sixty-eight~~ one hundred fifty million dollars or ten percent  
7 of the balance of the state pooled money fund in certificates  
8 of deposit in eligible lending institutions ~~pursuant to~~ as  
9 provided in this division. The moneys invested pursuant to  
10 this section shall be used as follows:

11 a. The treasurer of state may invest the first sixty-eight  
12 million dollars to support programs provided in this division  
13 other than the emergency assistance linked deposit program for  
14 swine or cattle producers provided in section 12.43A.

15 b. The treasurer of state shall invest the remaining  
16 amount to support the emergency assistance linked deposit  
17 program for swine or cattle producers as provided in section  
18 12.43A. The treasurer of state shall not make the investment  
19 unless a market emergency exists. If a market emergency  
20 exists, the treasurer of state shall make the investment  
21 immediately. For purposes of this paragraph, a market  
22 emergency exists as follows:

23 (1) For swine, a market emergency exists when the market  
24 price paid in this state and southern Minnesota for swine per  
25 hundredweight on a live basis is less than thirty dollars for  
26 thirty consecutive days, according to market news reports  
27 published by the agricultural marketing service of the United  
28 States department of agriculture.

29 (2) For cattle, a market emergency exists when the market  
30 price paid in the midwest and high plains states for cattle  
31 per hundredweight on a live basis is less than fifty-six  
32 dollars for thirty consecutive days, according to market news  
33 reports published by the agricultural marketing service of the  
34 United States department of agriculture.

35 2. The treasurer of state shall adopt rules pursuant to

1 chapter 17A to administer this division. The treasurer of  
2 state shall consult with the department of agriculture and  
3 land stewardship in adopting rules for the administration of  
4 the emergency assistance linked deposit program for swine or  
5 cattle producers.

6 3. Certificates of deposit placed by the treasurer of  
7 state on or after July 1, 1996, pursuant to this division may  
8 be renewed at the option of the treasurer of state. The  
9 initial certificate of deposit for a given borrower shall have  
10 a maturity of one year and may be renewed for eight additional  
11 one-year periods.

12 Sec. 2. NEW SECTION. 12.43A EMERGENCY ASSISTANCE LINKED  
13 DEPOSIT PROGRAM FOR SWINE OR CATTLE PRODUCERS.

14 1. As used in this section, unless the context otherwise  
15 requires:

16 a. "Actively engaged in farming" means the same as defined  
17 in section 10.1.

18 b. "Farming" means the same as defined in section 9H.1.

19 2. The treasurer of state shall adopt rules to implement  
20 an emergency assistance linked deposit program for swine or  
21 cattle producers. The purpose of the program is to increase  
22 the availability of lower cost loans to provide emergency  
23 financial assistance to farmers threatened with financial  
24 calamity due to the market price of swine or cattle.

25 3. The loan shall be subject to all of the following:

26 a. In order to qualify as an eligible borrower, all of the  
27 following must apply:

28 (1) The applicant must be a resident of this state.

29 (2) The applicant for the loan must be actively engaged in  
30 farming in this state.

31 (3) If the market emergency exists because of the market  
32 price paid for swine, the applicant must not have marketed  
33 more than five thousand swine during the last twelve months.

34 If the market emergency exists because of the market price  
35 paid for cattle, the applicant must not have marketed more

1 than one thousand cattle during the last twelve months.

2 (4) If the market emergency exists because of the market  
3 price paid for swine, the applicant must not have provided for  
4 the care and feeding of swine under contract. If the market  
5 emergency exists because of the market price paid for cattle,  
6 the applicant must not have provided for the care and feeding  
7 of cattle under contract.

8 (5) The applicant must not have received a loan under this  
9 program during the previous twelve months.

10 b. The purpose of the loan must be used to support farming  
11 operations on an emergency basis, and may be used to refinance  
12 existing debt.

13 4. The maximum loan amount that an eligible borrower may  
14 receive under this program is one hundred thousand dollars.

15 Sec. 3. EFFECTIVE DATE. This Act, being deemed of  
16 immediate importance, takes effect upon enactment.

17

#### EXPLANATION

18 This bill amends Code section 12.34, which establishes the  
19 funding source for linked investment loan programs. Under the  
20 current Code section, the treasurer of state may invest up to  
21 \$68 million or 10 percent of the balance of the state pooled  
22 money fund in certificates of deposit in eligible financial  
23 institutions for purposes of supporting low-interest loans.

24 This bill increases the amount that the treasurer of state  
25 may invest up to \$150 million. The amount of the increase  
26 must be used to support an emergency assistance linked deposit  
27 program for swine or cattle producers. The treasurer of state  
28 cannot make an investment to support the program unless a  
29 market emergency exists. If a market emergency exists, the  
30 treasurer of state shall make the investment immediately. The  
31 bill provides that a market emergency for swine is based on  
32 the market price paid in this state and southern Minnesota per  
33 hundredweight on a live basis. The bill provides that a  
34 market emergency for cattle is based on the market price paid  
35 in midwest and high plains states per hundredweight and on a

1 live basis.

2 The bill requires the treasurer of state to adopt rules to  
3 implement the program. The purpose of the program is to  
4 increase the availability of lower cost loans to provide  
5 emergency financial assistance to swine or cattle producers  
6 threatened with financial calamity due to the market price of  
7 swine or cattle. The bill establishes eligibility  
8 requirements for borrowers and provides that the loan must be  
9 used to support farming operations on an emergency basis and  
10 may be used to refinance existing debt. According to the  
11 bill, the maximum loan amount that an eligible borrower may  
12 receive is \$100,000.

13 The bill takes effect upon enactment.

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**HOUSE FILE 533  
FISCAL NOTE**

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A fiscal note for House File 533 is hereby submitted to 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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**BACKGROUND**

House File 533 increases the amount of the State Pooled Money Fund that the Treasurer of State may invest in the Linked Investment for Tomorrow (LIFT) Program by \$82.0 million. The amount of the increase must be used to support an emergency linked deposit program for swine and cattle producers. The Treasurer of the State can only use these funds to support the program if a swine or cattle market emergency exists. The LIFT Program authorizes the Treasurer of State to deposit funds in Iowa depositories at an interest rate 3.0% below the current market rate for a U.S. Treasury Bill. The cost to the state of the LIFT Program is the loss of foregone interest.

**ASSUMPTIONS**

1. A swine or cattle market emergency exists.
2. One new FTE position, Investment Officer 2, above the current FY 1999 funding level will be required. Annual salary and support for the new FTE position is \$50,000.
3. Annual state foregone interest equals 3.0% times the increase of state pooled money invested in the LIFT Program, \$82.0 million.

**FISCAL IMPACT**

The FY 2000 cost to the General Fund is estimated at approximately \$2.5 million which is \$2.45 million in foregone interest plus \$50,000 in salary and support for a new FTE position. If a swine or cattle market emergency exists in FY 2001, the cost to the State is estimated at \$2.5 million.

**SOURCE**

Treasurer of State

(LSB 2059hv, SKW)

FILED MARCH 10, 1999

BY DENNIS PROUTY, FISCAL DIRECTOR