

MAR 18 2003  
TRANSPORTATION

HOUSE FILE 625  
BY QUIRK

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

**A BILL FOR**

1 An Act providing for the issuance of bonds by the state  
2 transportation commission which are payable from the road use  
3 tax fund for four-lane construction or improvement projects on  
4 certain United States highways.

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

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*HF 625*

1 Section 1. Section 307A.2, Code 2003, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 15. Construct, reconstruct, and improve  
4 four-lane projects on United States highways 63, 20, and 30.  
5 The commission shall issue revenue bonds for funding the four-  
6 lane projects in accordance with sections 307A.3 through  
7 307A.5.

8 Sec. 2. NEW SECTION. 307A.3 BONDS AND NOTES.

9 1. The commission may issue up to three hundred million  
10 dollars of its negotiable bonds and notes in principal amounts  
11 as, in the opinion of the commission, are necessary to provide  
12 sufficient funds for purposes of funding the four-lane  
13 projects specified in section 307A.2, subsection 15, the  
14 payment of interest on its bonds and notes, the establishment  
15 of reserves to secure its bonds and notes, and all other  
16 expenditures of the commission incident to and necessary or  
17 convenient to carry out that purpose. The bonds and notes  
18 shall be deemed to be investment securities and negotiable  
19 instruments within the meaning of and for all purposes of the  
20 uniform commercial code.

21 2. Bonds and notes issued by the commission are payable  
22 solely and only out of the moneys credited to the road use tax  
23 fund, and as provided in the agreement with bondholders or  
24 noteholders pledging those moneys. Bonds or notes are not an  
25 obligation of this state or any political subdivision of this  
26 state other than the commission within the meaning of any  
27 constitutional or statutory debt limitations, but are special  
28 obligations of the commission payable solely and only from the  
29 sources provided in this chapter, and the commission may not  
30 pledge the credit or taxing power of this state or any  
31 political subdivision of this state other than the commission,  
32 or make its debts payable out of any moneys except the road  
33 use tax fund.

34 3. Bonds and notes must be authorized by a resolution of  
35 the commission. However, a resolution authorizing the

1 issuance of bonds or notes may delegate to an officer of the  
2 commission or department the power to negotiate and fix the  
3 details of an issue of bonds or notes by an appropriate  
4 certificate of the authorized officer.

5 4. Bonds shall:

6 a. State the date and series of the issue, be  
7 consecutively numbered, and state on their face that they are  
8 payable both as to principal and interest solely out of the  
9 road use tax fund and do not constitute an indebtedness of  
10 this state or any political subdivision of this state other  
11 than the road use tax fund within the meaning of any  
12 constitutional or statutory debt limit.

13 b. Be either registered, registered as to principal only,  
14 or in coupon form, issued in denominations as the commission  
15 prescribes, fully negotiable instruments under the laws of  
16 this state, signed on behalf of the commission with the manual  
17 or facsimile signature of the chairperson, attested by the  
18 manual or facsimile signature of the secretary, have impressed  
19 or imprinted thereon the seal of the commission or a facsimile  
20 of it, and the coupons attached shall be signed with the  
21 facsimile signature of the chairperson, be payable as to  
22 interest at rates and at times as the commission determines,  
23 be payable as to principal at times over a period not to  
24 exceed twenty years from the date of issuance, at places, and  
25 with reserved rights of prior redemption, as the commission  
26 prescribes, be sold at prices, at public or private sale, and  
27 in a manner as the commission prescribes, and the commission  
28 may pay all expenses, premiums, and commissions which it deems  
29 necessary or advantageous in connection with the issuance and  
30 sale, and be issued under and subject to the terms,  
31 conditions, and covenants providing for the payment of the  
32 principal, redemption premiums, if any, interest, and other  
33 terms, conditions, covenants, and protective provisions  
34 safeguarding payment, not inconsistent with this chapter, as  
35 are found to be necessary by the commission for the most

1 advantageous sale, which may include, but are not limited to,  
2 covenants with the holders of the bonds as to:

3 (1) Pledging or creating a lien, to the extent provided by  
4 the resolution, on moneys of the road use tax fund.

5 (2) Providing for the custody, collection, securing,  
6 investment, and payment of any moneys of the road use tax  
7 fund.

8 (3) The setting aside of reserves or sinking funds and the  
9 regulation or disposition of them.

10 (4) Limitations on the purpose to which the proceeds of  
11 sale of an issue of bonds then or thereafter to be issued may  
12 be applied.

13 (5) Limitations on the issuance of additional bonds and on  
14 the refunding of outstanding or other bonds.

15 (6) The procedure by which the terms of a contract with  
16 the holders of bonds may be amended or abrogated, the amount  
17 of bonds the holders of which must consent thereto, and the  
18 manner in which consent may be given.

19 (7) The creation of special funds into which moneys of the  
20 road use tax fund may be deposited.

21 (8) Vesting in a trustee properties, rights, powers, and  
22 duties in trust as the commission determines, which may  
23 include the rights, powers, and duties of the trustee  
24 appointed for the holders of any issue of bonds pursuant to  
25 section 307A.5, in which event the provisions of that section  
26 authorizing appointment of a trustee by the holders of bonds  
27 shall not apply, or limiting or abrogating the right of the  
28 holders of bonds to appoint a trustee under that section, or  
29 limiting the rights, duties, and powers of the trustee.

30 (9) Defining the acts or omissions which constitute a  
31 default in the obligations and duties of the commission and  
32 providing for the rights and remedies of the holders of bonds  
33 in the event of a default. However, rights and remedies shall  
34 be consistent with the laws of this state and other provisions  
35 of this chapter.

1 (10) Any other matters which affect the security and  
2 protection of the bonds and the rights of the holders.

3 5. The commission may issue its bonds for the purpose of  
4 refunding any bonds or notes of the commission then  
5 outstanding, including the payment of any redemption premiums  
6 thereon and any interest accrued or to accrue to the date of  
7 redemption of the outstanding bonds or notes. Until the  
8 proceeds of bonds issued for the purpose of refunding  
9 outstanding bonds or notes are applied to the purchase or  
10 retirement of outstanding bonds or notes or the redemption of  
11 outstanding bonds or notes, the proceeds may be placed in  
12 escrow and be invested and reinvested in accordance with the  
13 provisions of this chapter. The interest, income, and profits  
14 earned or realized on an investment may also be applied to the  
15 payment of the outstanding bonds or notes to be refunded by  
16 purchase, retirement, or redemption. After the terms of the  
17 escrow have been fully satisfied and carried out, any balance  
18 of proceeds and interest earned or realized on the investments  
19 may be returned to the commission for use by it in any lawful  
20 manner. All refunding bonds shall be issued and secured and  
21 subject to the provisions of this chapter in the same manner  
22 and to the same extent as other bonds issued pursuant to this  
23 chapter.

24 6. The commission may issue negotiable bond anticipation  
25 notes and may renew them from time to time but the maximum  
26 maturity of the notes, including renewals, shall not exceed  
27 ten years from the date of issue of the original notes. Notes  
28 are payable from any available moneys from the road use tax  
29 fund not otherwise pledged, or from the proceeds of the sale  
30 of bonds of the commission in anticipation of which the notes  
31 were issued. Notes shall be issued in the same manner as  
32 bonds, and notes and the resolution authorizing them may  
33 contain any provisions, conditions, or limitations, not  
34 inconsistent with the provisions of this subsection, which the  
35 bonds or a bond resolution of the commission may contain.

1 Notes may be sold at public or private sale. In case of  
2 default on its notes or violation of any obligations of the  
3 commission to the noteholders, the noteholders shall have all  
4 the remedies provided in this chapter for bondholders. Notes  
5 shall be as fully negotiable as bonds of the commission.

6 7. A copy of each pledge agreement by or to the  
7 commission, including without limitation each bond resolution,  
8 indenture of trust or similar agreement, or any revisions or  
9 supplements to it shall be filed with the secretary of state  
10 and no further filing or other action under chapter 554,  
11 article 9, of the uniform commercial code, or any other law of  
12 the state shall be required to perfect the security interest  
13 in the collateral or any additions to it or substitutions for  
14 it, and the lien and trust so created shall be binding from  
15 and after the time made against all parties having claims of  
16 any kind in tort, contract, or otherwise against the pledgor.

17 8. Neither the members of the commission nor any person  
18 executing its bonds, notes, or other obligations shall be  
19 liable personally on the bonds, notes, or other obligations or  
20 be subject to any personal liability or accountability by  
21 reason of the issuance of the commission's bonds or notes.

22 9. The maximum amount of bonds or notes that may be issued  
23 for construction, reconstruction, or improvement of four-lane  
24 projects pursuant to this section is equal to three hundred  
25 million dollars.

26 Sec. 3. NEW SECTION. 307A.4 RESERVE FUNDS AND  
27 APPROPRIATIONS.

28 1. The commission may create and establish one or more  
29 special funds, to be known as "bond reserve funds", and shall  
30 pay into each bond reserve fund any moneys appropriated and  
31 made available by the state for the purpose of the fund, any  
32 proceeds of sale of notes or bonds to the extent provided in  
33 the resolutions of the commission authorizing their issuance,  
34 and any other moneys which may be available to the commission  
35 for the purpose of the fund from any other sources. All

1 moneys held in a bond reserve fund, except as otherwise  
2 provided in this chapter, shall be used as required solely for  
3 the payment of the principal of bonds secured in whole or in  
4 part by the fund or of the sinking fund payments with respect  
5 to the bonds, the purchase or redemption of the bonds, the  
6 payment of interest on the bonds or the payments of any  
7 redemption premium required to be paid when the bonds are  
8 redeemed prior to maturity.

9     2. Moneys in a bond reserve fund shall not be withdrawn  
10 from it at any time in an amount that will reduce the amount  
11 of the fund to less than the bond reserve fund requirement  
12 established for the fund, as provided in this section, except  
13 for the purpose of making, with respect to bonds secured in  
14 whole or in part by the fund, payment when due of principal,  
15 interest, redemption premiums and the sinking fund payments  
16 with respect to the bonds for the payment of which other  
17 moneys of the commission are not available. Any income or  
18 interest earned by, or incremental to, a bond reserve fund due  
19 to the investment of it may be transferred by the commission  
20 to other funds or accounts of the commission to the extent the  
21 transfer does not reduce the amount of that bond reserve fund  
22 below the bond reserve fund requirement for it.

23     3. The commission shall not at any time issue bonds,  
24 secured in whole or in part by a bond reserve fund if, upon  
25 the issuance of the bonds, the amount in the bond reserve fund  
26 will be less than the bond reserve fund requirement for the  
27 fund, unless the commission at the time of issuance of the  
28 bonds deposits in the fund from the proceeds of the bonds  
29 issued or from other sources an amount which, together with  
30 the amount then in the fund will not be less than the bond  
31 reserve fund requirement for the fund. For the purposes of  
32 this section, the term "bond reserve fund requirement" means,  
33 as of any particular date of computation, an amount of money,  
34 as provided in the resolutions of the commission authorizing  
35 the bonds with respect to which the fund is established, equal

1 to not more than ten percent of the outstanding principal  
2 amount of bonds of the commission secured in whole or in part  
3 by the fund.

4 4. To assure the continued operation and solvency of the  
5 commission for the carrying out of its purposes, provision is  
6 made in subsection 1 for the accumulation in each bond reserve  
7 fund of an amount equal to the bond reserve fund requirement  
8 for the fund. In order further to assure maintenance of the  
9 bond reserve funds, the chairperson of the commission shall,  
10 on or before July 1 of each calendar year, make and deliver to  
11 the governor the chairperson's certificate stating the sum, if  
12 any, required to restore each bond reserve fund to the bond  
13 reserve fund requirement for that fund. Within thirty days  
14 after the beginning of the session of the general assembly  
15 next following the delivery of the certificate, the governor  
16 may submit to both houses printed copies of a budget including  
17 the sum, if any, required to restore each bond reserve fund to  
18 the bond reserve fund requirement for that fund. Any sums  
19 appropriated by the general assembly and paid to the  
20 commission pursuant to this section shall be deposited by the  
21 commission in the applicable bond reserve fund.

22 5. All amounts paid over to the commission by the state  
23 pursuant to the provisions of this section shall constitute  
24 and be accounted for as advances by the state to the  
25 commission and, subject to the rights of the holders of any  
26 bonds or notes of the commission theretofore or thereafter  
27 issued, shall be repaid to the state without interest from all  
28 available operating revenues of the commission in excess of  
29 amounts required for the payment of bonds, notes, or  
30 obligations of the commission, the bond reserve fund, and  
31 operating expenses.

32 6. The commission shall cause to be delivered to the  
33 legislative fiscal committee within ninety days of the close  
34 of its fiscal year its annual report certified by an  
35 independent certified public accountant, who may be the

1 accountant or a member of the firm of accountants who  
2 regularly audits the books and accounts of the commission,  
3 selected by the commission. In the event that the principal  
4 amount of any bonds or notes deposited in a bond reserve fund  
5 is withdrawn for payment of principal or interest thereby  
6 reducing the amount of that fund to less than the bond reserve  
7 fund requirement, the commission shall immediately notify the  
8 general assembly of this event and shall thereafter take steps  
9 to restore such bond reserve to the bond reserve fund  
10 requirement for that fund from any amounts available, other  
11 than principal of a bond issue, which are not pledged to the  
12 payment of other bonds or notes.

13 Sec. 4. NEW SECTION. 307A.5 REMEDIES OF BONDHOLDERS AND  
14 NOTEHOLDERS.

15 1. If the commission defaults in the payment of principal  
16 or interest on an issue of bonds or notes after they become  
17 due, whether at maturity or upon call for redemption, and the  
18 default continues for a period of thirty days, or if the  
19 commission fails or refuses to comply with the provisions of  
20 this chapter, or defaults in an agreement made with the  
21 holders of an issue of bonds or notes, the holders of twenty-  
22 five percent in aggregate principal amount of bonds or notes  
23 of the issue then outstanding, by instrument filed in the  
24 office of the clerk of the county in which the principal  
25 office of the commission is located, and proved or  
26 acknowledged in the same manner as a deed to be recorded, may  
27 appoint a trustee to represent the holders of the bonds or  
28 notes for the purposes provided in this section.

29 2. The commission or any trustee appointed under the  
30 indenture under which the bonds are issued may, and upon  
31 written request of the holders of twenty-five percent in  
32 aggregate principal amount of the issue of bonds or notes then  
33 outstanding shall:

34 a. Enforce all rights of the bondholders or noteholders,  
35 including the right to require the commission to carry out its

1 agreements with the holders and to perform its duties under  
2 this chapter.

3 b. Bring suit upon the bonds or notes.

4 c. By action require the commission to account as if it  
5 were the trustee of an express trust for the holders.

6 d. By action enjoin any acts or things which are unlawful  
7 or in violation of the rights of the holders.

8 e. Declare all the bonds or notes due and payable and if  
9 all defaults are made good then with the consent of the  
10 holders of twenty-five percent of the aggregate principal  
11 amount of the issue of bonds or notes then outstanding, annul  
12 the declaration and its consequences.

13 The bondholders or noteholders, to the extent provided in  
14 the resolution by which the bonds or notes were issued or in  
15 their agreement with the commission, may enforce any of the  
16 remedies in paragraphs "a" to "e" or the remedies provided in  
17 those agreements for and on their own behalf.

18 3. The trustee shall also have and possess all powers  
19 necessary or appropriate for the exercise of functions  
20 specifically set forth or incident to the general  
21 representation of bondholders or noteholders in the  
22 enforcement and protection of their rights.

23 4. Before declaring the principal of bonds or notes due  
24 and payable, the trustee shall first give thirty days' notice  
25 in writing to the governor, the commission, and the attorney  
26 general of the state.

27 5. The district court has jurisdiction of any action by  
28 the trustee on behalf of bondholders or noteholders. The  
29 venue of the action shall be in the county in which the  
30 principal office of the commission is located.

31 Sec. 5. Section 312.2, Code 2003, is amended by adding the  
32 following new subsection:

33 NEW SUBSECTION. 19. The treasurer of state, before making  
34 the allotments and transfers as provided for in subsections 1  
35 through 18, shall credit to the state transportation

1 commission for each fiscal year the amount needed to pay  
2 principal and interest on bonds or notes issued pursuant to  
3 section 307A.3 or to restore each bond reserve fund to the  
4 bond reserve fund requirement for that fund as may be provided  
5 in section 307A.4.

6 EXPLANATION

7 This bill authorizes the state transportation commission to  
8 issue bonds to construct, reconstruct, and improve four-lane  
9 highway projects on U.S. highways 63, 20, and 30. The bill  
10 authorizes the commission to issue up to \$300 million in bonds  
11 or notes to fund these four-lane highway projects. The bill  
12 also provides that the bonds are to be repaid from the road  
13 use tax fund before any other allotments or transfers are  
14 made.

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### Description

House File 624 provides several policy changes to the Department of Agriculture and Land Stewardship, including but not limited to the following:

- Creates Chapter 170, Code of Iowa, regarding regulation of farm deer and adds white tail deer and mule deer to the definitions of "farm deer" and "livestock."
- Establishes the Farm Deer Council consisting of seven members that are appointed by the Secretary of Agriculture.
- Requires the Department to certify farm deer operators and specifies farm deer are maintained in an enclosed area with fencing approved by the Department.
- Allows farm deer operators to release farm deer after notification to the Department of Natural Resources.
- Specifies process for revoking a farm deer operator's certification.
- Allows the Department of Natural Resources to investigate violations related to fish and game laws.
- Specifies the fines and penalties related to farm deer.
- Specifies hunting preserve and game breeders are automatically certified if animals are maintained in an approved fenced area.

### Assumptions

1. By adding white tail deer and mule deer to the State definition of "livestock," the Meat and Poultry Inspection Bureau will be required to perform post mortem inspections on farm deer if the resulting meat is sold for food in Iowa.
2. As white tail deer and mule deer are not included in the federal definition of "livestock," the inspections will have to be paid with State funds.
3. The Department will require an additional 3.0 FTE positions.

### Fiscal Impact

The annual fiscal impact of HF 624 is an increase in General Fund expenditures of approximately \$175,000 to the Department of Agriculture and Land Stewardship. Revenue associated with collection of fines is expected to be minimal. The breakdown of the estimated expenditures is as follows:

	<u>FY 2004</u>	<u>FY 2005</u>
Expenditures:		
Salaries	\$ 145,000	\$ 148,000
Miscellaneous Expense	1,000	1,000
Travel Expenditures	9,000	9,000
Equipment	4,000	0
Vehicle	15,000	0
Depreciation	0	15,000
Total Expenditures	<u>\$ 174,000</u>	<u>\$ 173,000</u>

### Sources

Department of Agriculture and Land Stewardship  
Department of Human Rights, Criminal and Juvenile Justice Planning Division  
Judicial Branch

/s/ Dennis C Prouty

March 24, 2003