

House Study Bill 679

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
ECONOMIC GROWTH BILL BY
CHAIRPERSON HOFFMAN)

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

A BILL FOR

1 An Act relating to regional development and joint exercise of
2 governmental powers, related county enterprise authority, and
3 providing tax credits for economic development regions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 5869HC 80
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1 1 DIVISION I
1 2 Section 1. NEW SECTION. 15E.231 ECONOMIC DEVELOPMENT
1 3 REGIONS.
1 4 1. The department shall approve an economic development
1 5 region that meets the following criteria:
1 6 a. The region consists of not less than three contiguous
1 7 counties. This criterion may be waived by the department.
1 8 b. The region establishes a single, focused economic
1 9 development effort, approved by the department, that shall
1 10 include the development of a regional development plan and
1 11 regional marketing strategies. Regional marketing strategies
1 12 must be focused on marketing the region collectively.
1 13 2. An approved economic development region may create an
1 14 economic development region revolving fund as provided in
1 15 section 15E.232.
1 16 Sec. 2. NEW SECTION. 15E.232 ECONOMIC DEVELOPMENT REGION
1 17 REVOLVING FUNDS == TAX CREDITS.
1 18 1. An economic development region approved pursuant to
1 19 section 15E.231 may create an economic development region
1 20 revolving fund.
1 21 2. a. A nongovernmental entity making a contribution to
1 22 an economic development region revolving fund at any time
1 23 prior to July 1, 2009, may claim a tax credit equal to twenty
1 24 percent of the amount contributed to the revolving fund. The
1 25 tax credit shall be allowed against taxes imposed in chapter
1 26 422, divisions II, III, and V, and in chapter 432, and against
1 27 the moneys and credits tax imposed in section 533.24. An
1 28 individual may claim under this subsection the tax credit of a
1 29 partnership, limited liability company, S corporation, estate,
1 30 or trust electing to have income taxed directly to the
1 31 individual. The amount claimed by the individual shall be
1 32 based upon the pro rata share of the individual's earnings
1 33 from the partnership, limited liability company, S
1 34 corporation, estate, or trust. Any tax credit in excess of
1 35 the taxpayer's liability for the tax year may be credited to
2 1 the tax liability for the following seven years or until
2 2 depleted, whichever occurs first. A tax credit shall not be
2 3 carried back to a tax year prior to the tax year in which the
2 4 taxpayer redeems the tax credit. A tax credit under this
2 5 section is not transferable.
2 6 b. The aggregate amount of tax credits authorized pursuant
2 7 to this subsection shall not total more than twenty million
2 8 dollars. The total amount of tax credits authorized during a
2 9 fiscal year shall not exceed four million dollars plus the
2 10 amount of any unused tax credits carried over from previous
2 11 years. Any tax credits which remain unused for a fiscal year
2 12 may be carried forward to the succeeding fiscal year. The
2 13 maximum amount of tax credits that may be authorized in a
2 14 fiscal year for contributions made to a specific economic
2 15 development region revolving fund shall be four million
2 16 dollars plus the amount of any unused tax credits carried over
2 17 from previous years divided by the number of economic
2 18 development region revolving funds existing in the state.
2 19 c. The department of economic development shall administer
2 20 the authorization of tax credits under this section and shall,
2 21 in cooperation with the department of revenue, adopt rules

2 22 pursuant to chapter 17A necessary for the administration of
2 23 this section.

2 24 3. The department may establish and administer a regional
2 25 economic development revenue sharing pilot project for one or
2 26 more regions. Not more than three pilot projects shall be
2 27 established. The department of economic development shall
2 28 provide technical assistance to the regions participating in a
2 29 pilot project.

2 30 Sec. 3. NEW SECTION. 422.11J ECONOMIC DEVELOPMENT REGION
2 31 REVOLVING FUND TAX CREDIT.

2 32 The taxes imposed under this division, less the credits
2 33 allowed under sections 422.12 and 422.12B, shall be reduced by
2 34 an economic development region revolving fund contribution tax
2 35 credit authorized pursuant to section 15E.232.

3 1 Sec. 4. Section 422.33, Code Supplement 2003, is amended
3 2 by adding the following new subsection:

3 3 NEW SUBSECTION. 16. The taxes imposed under this division
3 4 shall be reduced by an economic development region revolving
3 5 fund contribution tax credit authorized pursuant to section
3 6 15E.232.

3 7 Sec. 5. Section 422.60, Code Supplement 2003, is amended
3 8 by adding the following new subsection:

3 9 NEW SUBSECTION. 8. The taxes imposed under this division
3 10 shall be reduced by an economic development region revolving
3 11 fund contribution tax credit authorized pursuant to section
3 12 15E.232.

3 13 Sec. 6. NEW SECTION. 432.12E ECONOMIC DEVELOPMENT REGION
3 14 REVOLVING FUND CONTRIBUTION TAX CREDITS.

3 15 The tax imposed under this chapter shall be reduced by an
3 16 economic development region revolving fund contribution tax
3 17 credit authorized pursuant to section 15E.232.

3 18 Sec. 7. Section 533.24, Code Supplement 2003, is amended
3 19 by adding the following new subsection:

3 20 NEW SUBSECTION. 6. The moneys and credits tax imposed
3 21 under this section shall be reduced by an economic development
3 22 region revolving fund contribution tax credit authorized
3 23 pursuant to section 15E.232.

3 24 DIVISION II

3 25 Sec. 8. Section 28E.35, Code 2003, is amended to read as
3 26 follows:

3 27 28E.35 DEFINITIONS.

3 28 As used in this division unless the context otherwise
3 29 requires:

3 30 1. "Community cluster" means a cooperative community unit
3 31 established pursuant to this chapter for the joint exercise of
3 32 powers by two or more governmental units and for sharing one
3 33 or more governmental functions between two or more
3 34 governmental units participating in a community cluster.

3 35 2. "Governing board" means the governing board of a
4 1 community cluster appointed pursuant to section 28E.37.

4 2 ~~2. 3.~~ "Governmental unit" means a city, county, township,
4 3 school district, merged area, or special taxing district.

4 4 4. "Shared governmental function" includes, but is not
4 5 limited to, joint delivery of services, joint operation of
4 6 facilities, joint development of infrastructure, or joint
4 7 fostering of economic development.

4 8 Sec. 9. Section 28E.36, Code 2003, is amended to read as
4 9 follows:

4 10 28E.36 ESTABLISHMENT OF COMMUNITY CLUSTER.

4 11 Two or more governmental units located in the state may, by
4 12 resolution of each governmental unit, establish a community

4 13 cluster ~~by entering into an agreement~~ for the joint exercise
4 14 of powers pursuant to this chapter to make more efficient use

4 15 of their resources by providing for ~~joint functions, services,~~
4 16 ~~facilities, development of infrastructure and for revenue~~

4 17 ~~sharing, and to foster economic development shared~~
4 18 governmental functions between two or more of the governmental

4 19 units participating in the community cluster.

4 20 A community cluster and its governing board shall have all
4 21 the rights, powers, duties, privileges, and immunities of a

4 22 governmental unit and governmental unit governing body to the
4 23 extent that such rights, powers, duties, privileges, and

4 24 immunities relate to shared governmental functions of the
4 25 governmental units participating in the community cluster.

4 26 Sec. 10. Section 28E.37, Code 2003, is amended by striking
4 27 the section and inserting in lieu thereof the following:

4 28 28E.37 COMMUNITY CLUSTER GOVERNING BOARD.

4 29 The governing body of each governmental unit participating
4 30 in a community cluster shall appoint two of its members to a

4 31 community cluster governing board. However, an alternative
4 32 board composition may be agreed upon by the participating

4 33 governmental units. A member of the governing board shall
4 34 serve for two years or until the member's term on the
4 35 governing body of the governmental unit expires, whichever is
5 1 earlier. A vacancy on the governing board shall be filled in
5 2 the same manner as the original appointment. A member of the
5 3 governing board shall not receive compensation for service on
5 4 the governing board.

5 5 Sec. 11. Section 28E.38, Code 2003, is amended by striking
5 6 the section and inserting in lieu thereof the following:

5 7 28E.38 POWERS AND DUTIES OF GOVERNING BOARD == EXISTING
5 8 BONDED INDEBTEDNESS == TAXING AUTHORITY.

5 9 1. The governing board shall identify governmental
5 10 functions, services, facilities, development of
5 11 infrastructure, or economic development efforts that will be
5 12 shared or jointly provided or operated within the community
5 13 cluster.

5 14 2. The governing board shall establish an official name
5 15 for the community cluster.

5 16 3. The governing board may provide for the adjustment of
5 17 existing bonded indebtedness and other obligations to the
5 18 extent the bonded indebtedness relates to a shared
5 19 governmental function within the community cluster.

5 20 4. The governing board may provide for the transfer or
5 21 other disposition of property and other rights, claims,
5 22 assets, and franchises as they relate to a shared governmental
5 23 function within the community cluster. A governmental unit
5 24 participating in a community cluster may make donations of
5 25 property, real or personal, including gratuitous leases, to
5 26 the community cluster and the governing board as deemed proper
5 27 and appropriate in aiding the community cluster and the
5 28 governing board effectuate their purposes.

5 29 5. The governing board may provide for the transfer,
5 30 reorganization, abolition, adjustment, and absorption or
5 31 merger of existing boards, existing subordinate service
5 32 districts, local improvement districts, and agencies of the
5 33 participating governmental units to the extent they relate to
5 34 a shared governmental function within the community cluster.

5 35 6. The governing board may determine the boundaries of the
6 1 service areas within the community cluster and shall provide
6 2 for administration of the provision of services in each of the
6 3 designated service areas.

6 4 7. The governing board may employ and fix the compensation
6 5 of administrative, technical, professional, and clerical
6 6 assistance as necessary to administer a shared governmental
6 7 function.

6 8 8. a. The governing board may adopt budgets for shared
6 9 governmental functions within the community cluster and may
6 10 levy property taxes to the extent the taxing authority of a
6 11 participating governmental unit is transferred to the
6 12 community cluster to fund a shared governmental function. The
6 13 governing board in its budget shall allocate the revenue
6 14 responsibilities of each governmental unit participating in
6 15 the community cluster. The governing board shall follow the
6 16 same procedures for adoption of a budget as if the community
6 17 cluster were a city and the governing board a city council.

6 18 b. The governing board shall devise formulas for the
6 19 transfer of taxing authority from governmental units that are
6 20 participating in the community cluster to the governing board
6 21 of the community cluster to fund a shared governmental
6 22 function. The maximum rates of taxes authorized to be levied
6 23 by a governmental unit participating in a community cluster
6 24 shall be reduced by an amount equal to that portion of the
6 25 levy rates transferred to the authority of the governing
6 26 board.

6 27 c. In lieu of transferring property taxing authority to a
6 28 governing board, a governmental unit participating in a
6 29 community cluster may meet its shared revenue obligations by
6 30 transferring other sources of revenue authorized to be
6 31 collected by the governmental unit.

6 32 9. The governing board may accept donations,
6 33 contributions, grants, or gifts from individuals,
6 34 associations, municipal and private corporations, and the
6 35 United States, or any agency or instrumentality of the United
7 1 States, and may enter into agreements in connection therewith.

7 2 10. The governing board may issue bonded indebtedness to
7 3 the extent authorized in section 28E.39.

7 4 11. By December 1 of each year, the governing board shall
7 5 provide a report relating to shared governmental functions and
7 6 administration of the community cluster to the governing body
7 7 of each governmental unit participating in the community
7 8 cluster.

7 9 Sec. 12. Section 28E.39, Code 2003, is amended by striking
7 10 the section and inserting in lieu thereof the following:

7 11 28E.39 ISSUANCE OF BONDS == APPROVAL BY ELECTORATE.

7 12 1. The governing board may propose the expenditure of
7 13 funds, the issuance of revenue bonds, entering into a lease=
7 14 purchase agreement, or the issuance of general obligation
7 15 bonds for the following:

7 16 a. Acquisition of a construction site and construction of
7 17 a building or facility for common public use by two or more
7 18 governmental units participating in the community cluster.

7 19 b. Purchase of an existing building or facility for public
7 20 use, or conversion of a building or facility previously owned
7 21 and maintained by a governmental unit for public use by two or
7 22 more governmental units participating in the community
7 23 cluster.

7 24 c. Equipping or furnishing a new or existing building or
7 25 facility for public use by two or more governmental units
7 26 participating in the community cluster.

7 27 d. Operation, maintenance, or improvement of a building or
7 28 facility for public use by two or more governmental units
7 29 participating in the community cluster.

7 30 e. Any other aspect of construction, acquisition,
7 31 furnishing, operation, or maintenance of a building or
7 32 facility for public use by two or more governmental units
7 33 participating in the community cluster, such other aspect
7 34 having been proposed by the governing board and not otherwise
7 35 prohibited by law.

8 1 2. The proposal shall be forwarded to the governing body
8 2 of each governmental unit participating in the community
8 3 cluster that is listed in the proposal as being allocated a
8 4 portion of the cost for any of the purposes in subsection 1,
8 5 paragraphs "a" through "e". The proposal shall specify the
8 6 purposes for which the building or facility shall be used, the
8 7 estimated cost of the building or facility, the estimated
8 8 amount of the cost to be allocated to each of the
8 9 participating governmental units, the proportion and method of
8 10 allocating the expenses of the operation and maintenance of
8 11 the building or facility or improvement, and the disposition
8 12 to be made of any revenues to be derived from operation of the
8 13 building or facility.

8 14 3. If a proposal for expenditure of funds, for issuance of
8 15 revenue bonds, or for issuance of general obligation bonds
8 16 described in the proposal as essential county purpose bonds or
8 17 essential corporate purpose bonds is approved by the governing
8 18 body of each governmental unit named in the proposal, the
8 19 governing board may include such expenditures in its budget
8 20 for the following fiscal year. If a proposal for issuance of
8 21 general obligation bonds described in the proposal as general
8 22 county purpose bonds or general corporate purpose bonds or for
8 23 entering into a lease-purchase agreement is approved by the
8 24 governing body of each governmental unit named in the
8 25 proposal, the governing board shall direct the county
8 26 commissioner of elections to submit the proposition at a
8 27 special election. The special election may be held on the
8 28 same day as the general election if the county commissioner
8 29 determines that the elections will not conflict. Only those
8 30 registered voters living within the governmental units named
8 31 in the proposal may vote on the proposition. The proposition
8 32 shall be adopted if the vote in favor of the proposition is
8 33 equal to at least sixty percent of the vote cast for and
8 34 against the proposition in each governmental unit named in the
8 35 proposal.

9 1 4. The governing board when issuing indebtedness pursuant
9 2 to this section shall follow the procedures for issuance of
9 3 debt as if the governing board were a city council or a county
9 4 board of supervisors and the applicable bonding provisions of
9 5 chapters 74, 75, 331, and 384 shall apply.

9 6 5. Indebtedness issued pursuant to this section shall
9 7 constitute a debt of the governmental units named in the
9 8 proposal in the same proportion that the cost of the project
9 9 is allocated to the governmental units and such indebtedness
9 10 is subject to any statutory or constitutional limitation on
9 11 issuance of debt if the debt would be subject to such
9 12 limitation if it were issued by a governmental unit acting
9 13 alone.

9 14 Sec. 13. Section 28E.40, Code 2003, is amended by striking
9 15 the section and inserting in lieu thereof the following:

9 16 28E.40 JOINING COMMUNITY CLUSTER OR TERMINATING
9 17 PARTICIPATION.

9 18 1. A governmental unit, by resolution, may request to join
9 19 an existing community cluster. The governing body of the

9 20 governmental unit shall forward the resolution to the
9 21 governing bodies of each governmental unit participating in
9 22 the community cluster. If each of the governing bodies
9 23 approves the resolution, the governmental unit is included in
9 24 the community cluster and shall appoint two of the members of
9 25 its governing body to the governing board of the community
9 26 cluster.

9 27 2. A governmental unit, by resolution, may terminate its
9 28 participation in a community cluster. Immediately upon its
9 29 adoption by the governing body of the governmental unit
9 30 seeking termination of its participation in the community
9 31 cluster, the resolution shall be forwarded to the governing
9 32 board. The governing board is not empowered to deny
9 33 termination but it may set a timetable, not to exceed eighteen
9 34 months after adoption of the resolution, for termination to be
9 35 fully effective.

10 1 Sec. 14. Section 331.461, subsection 2, Code 2003, is
10 2 amended by adding the following new paragraph:

10 3 NEW PARAGRAPH. h. Port facilities or port facilities
10 4 systems, including without limitation, real and personal
10 5 property, water, buildings, improvements, and equipment useful
10 6 and suitable for taking care of the needs of commerce and
10 7 shipping, and also including without limitation, wharves,
10 8 docks, basins, piers, quay walls, warehouses, tunnels, belt
10 9 railway facilities, cranes, dock apparatus, and other
10 10 machinery necessary for the convenient and economical
10 11 accommodation and handling of watercraft of all kinds and of
10 12 freight and passengers.

10 13 EXPLANATION

10 14 This bill relates to regional development and joint
10 15 exercise of governmental powers and provides tax credits for
10 16 economic development regions.

10 17 DIVISION I. Division I of the bill provides that the
10 18 department of economic development shall approve an economic
10 19 development region that consists of not less than three
10 20 contiguous counties and establishes a single, focused economic
10 21 development effort, approved by the department, that shall
10 22 include the development of a regional development plan and
10 23 regional marketing strategies. The bill provides that an
10 24 approved economic development region may create an economic
10 25 development region revolving fund.

10 26 The bill provides that a nongovernmental entity making a
10 27 contribution to an economic development region revolving fund
10 28 at any time prior to July 1, 2009, may claim a tax credit
10 29 equal to 20 percent of the amount contributed to the revolving
10 30 fund. The tax credit shall be allowed against personal and
10 31 corporate income tax, the franchise tax for financial
10 32 institutions, the insurance premium tax, and the moneys and
10 33 credits tax for credit unions. The bill provides that any tax
10 34 credit in excess of the taxpayer's liability for the tax year
10 35 may be credited to the tax liability for the following seven
11 1 years or until depleted, whichever occurs first. The bill
11 2 provides that the tax credit shall not be carried back to a
11 3 tax year prior to the tax year in which the taxpayer redeems
11 4 the tax credit and is not transferable. The bill provides
11 5 that the aggregate amount of tax credits authorized shall not
11 6 total more than \$20 million. The bill provides that the total
11 7 amount of tax credits authorized during a fiscal year shall
11 8 not exceed \$4 million plus any unused tax credits carried over
11 9 from previous years. Any tax credits which remain unused for
11 10 a fiscal year may be carried forward to the succeeding fiscal
11 11 year. The bill provides that the maximum amount of tax
11 12 credits that may be authorized in a fiscal year for
11 13 contributions made to a specific economic development region
11 14 revolving fund is equal to \$4 million plus any unused tax
11 15 credits carried over from previous years divided by the number
11 16 of economic development region revolving funds existing in the
11 17 state.

11 18 The bill allows the department to establish and administer
11 19 a regional economic development revenue sharing pilot project
11 20 for one or more regions.

11 21 DIVISION II. Division II of the bill expands current
11 22 statutory provisions relating to establishment of community
11 23 clusters. Community clusters are cooperative community units
11 24 established for the joint exercise of powers by two or more
11 25 governmental units.

11 26 Currently, a governmental unit that may participate in a
11 27 community cluster is defined as a city, county, or special
11 28 taxing district. The bill adds townships, school districts,
11 29 and merged areas to the definition of governmental unit. The
11 30 bill defines "shared governmental functions" to include joint

11 31 delivery of services, joint operation of facilities, joint
11 32 development of infrastructure, and joint fostering of economic
11 33 development.

11 34 The bill provides that a community cluster and its
11 35 governing board shall have all the rights, powers, duties,
12 1 privileges, and immunities, as they relate to shared
12 2 governmental functions, as those governmental units
12 3 participating in the community cluster.

12 4 The bill provides that the governing body of each
12 5 governmental unit participating in a community cluster may
12 6 appoint two of its members to a community cluster governing
12 7 board unless a different board membership is agreed upon by
12 8 the participating governmental units. The term of a member of
12 9 the governing board is two years or until the member's term on
12 10 the governing body expires, whichever is earlier.

12 11 The bill requires the governing board to identify shared
12 12 governmental functions of the community cluster. The bill
12 13 authorizes the governing board to provide for adjustment of
12 14 existing bonded indebtedness; transfer or disposition of
12 15 property; reorganization of existing administrative boards,
12 16 agencies, and services districts; to accept donations,
12 17 contributions, grants, or gifts; and to employ necessary
12 18 personnel insofar as all of these things relate to
12 19 administration of shared governmental functions within the
12 20 community cluster. The bill also provides that the governing
12 21 board has the authority to adopt budgets for shared
12 22 governmental functions. The bill requires the governing board
12 23 to devise formulas for the transfer of taxing authority from
12 24 participating governmental units to fund shared governmental
12 25 functions. Any amount of taxing authority transferred shall
12 26 be subtracted from the statutory maximum, if any, for that
12 27 governmental unit. A participating governmental unit may
12 28 transfer other revenues, in lieu of transferring property tax
12 29 authority, in order to meet its shared revenue obligations.
12 30 The bill requires the governing board to report annually to
12 31 the governing body of each governmental unit participating in
12 32 the community cluster.

12 33 The bill authorizes the governing board to expend funds,
12 34 enter into lease-purchase agreements, and issue revenue bonds
12 35 or general obligation bonds for acquisition, construction,
13 1 improvement, equipping, maintenance, and operation of a
13 2 building or facility for common public use by two or more
13 3 governmental units participating in the community cluster.
13 4 The proposal to expend funds or issue debt for a building or
13 5 facility must be approved by the governing body of each
13 6 governmental unit named in the proposal as being allocated a
13 7 portion of the cost of the building or facility. The bill
13 8 provides that the governing board is to proceed as if it were
13 9 a city or a county expending the funds or issuing the
13 10 indebtedness. This means, among other things, that if the
13 11 proposal identifies the bonds as general county purpose or
13 12 general corporate purpose bonds, issuance of such bonds must
13 13 be approved at an election. Indebtedness that would be
13 14 subject to any statutory or constitutional limitation if a
13 15 governmental unit had issued the debt acting alone shall be
13 16 considered debt of the governmental unit as part of the
13 17 community cluster in the same proportion that the costs of the
13 18 building or facility were allocated to the governmental unit.

13 19 The bill allows a governmental unit, by resolution, to
13 20 request joining an existing community cluster. The resolution
13 21 must be approved by the governing bodies of each governmental
13 22 unit participating in the community cluster. The bill also
13 23 allows a governmental unit, by resolution, to terminate
13 24 participation in a community cluster. The governing board may
13 25 not deny termination, but it may set a timetable, not to
13 26 exceed 18 months, for termination to be fully effective.

13 27 The division strikes a section of the Code that required an
13 28 election before a community cluster could share property tax
13 29 revenues. The division also strikes a section of the Code
13 30 relating to establishment of regional metropolitan service
13 31 areas.

13 32 The division adds port facilities and port facilities
13 33 systems to the definition of county enterprise. Currently,
13 34 port facilities and port facilities systems are included in
13 35 the definition of city enterprise.

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