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SENATE FILE 391

BY COMMITTEE ON AGRICULTURE

Referred to Appropriations 3/18/03

(SUCCESSOR TO SF 322)

(COMPANION TO HF 431 BY BOGCESS)

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to providing financing to agricultural
2 processors, providing for bonding authority, and providing an
3 appropriation.

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

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SF 391

1 Section 1. Section 15E.208, subsection 3, paragraph b,
2 Code 2003, is amended to read as follows:

3 b. The loan shall be repayable upon terms and conditions
4 negotiated by the parties. The repayment period shall begin
5 six years following the date when the loan is awarded and end
6 twenty-five years after the date that the repayment period
7 begins. At least four percent of the amount due shall be paid
8 each year to the department. The corporation shall not be
9 subject to a prepayment penalty. The department shall deposit
10 moneys from the repaid loan to the agricultural processors
11 financing fund as established pursuant to section 175.18A
12 according to requirements established by the agricultural
13 development authority.

14 Sec. 2. Section 175.2, Code 2003, is amended by adding the
15 following new subsection:

16 NEW SUBSECTION. 2A. "Agricultural processor" means a
17 person actively engaged in turning an agricultural commodity
18 into a product by physical, chemical, or genetic modification.
19 An "agricultural processor" includes a person actively engaged
20 in any of the following:

21 a. The production of biorenewable fuels, including
22 ethanol-blended or soydiesel fuel.

23 b. The manufacturing or preparation for sale of beef,
24 pork, or poultry products, including the slaughtering of
25 cattle, swine, or fowl or the manufacturing or preparation of
26 carcasses or goods originating from the carcasses.

27 c. The production of a life science product as defined in
28 section 10C.1.

29 Sec. 3. Section 15E.208, subsection 8, is amended by
30 striking the subsection.

31 Sec. 4. NEW SECTION. 175.18A AGRICULTURAL PROCESSORS
32 FINANCING FUND -- BONDING -- APPROPRIATIONS.

33 1. An agricultural processors financing fund is created
34 and established as a separate and distinct fund in the state
35 treasury.

1 2. The authority may issue bonds as provided in this
2 chapter which are necessary in the opinion of the authority to
3 provide sufficient moneys to the agricultural processors
4 financing fund, to provide for expenditures provided in
5 section 175.17, and to provide for other expenditures which
6 are necessary or convenient to carry out a bond issue for the
7 fund and for the administration of the fund.

8 3. The moneys in the fund are appropriated to the
9 authority for purposes of administering the agricultural
10 processors financing program as provided in section 175.37.
11 Moneys in the fund shall not be subject to an appropriation
12 for any other purpose by the general assembly, but shall be
13 used only for the purposes of supporting the program. The
14 authority shall act as custodian of the fund and disburse
15 moneys contained in the fund as directed by the authority.

16 4. The authority may create and establish one or more bond
17 reserve funds pursuant to section 175.18, to secure one or
18 more issues of bonds issued for the purposes described in this
19 section.

20 5. Revenue for the agricultural processors financing fund
21 shall include, but is not limited to, the following:

22 a. Moneys deposited into the fund by the department of
23 economic development from the repayment of an Iowa
24 agricultural industry finance loan as provided in section
25 15E.208.

26 b. Moneys repaid to the fund by persons who receive
27 financing under the agricultural processors financing program
28 provided in section 175.37.

29 c. The proceeds of bonds and notes issued to capitalize
30 and pay the costs of the fund and investment earnings on the
31 proceeds.

32 d. Interest attributable to investment of money in the
33 fund or an account of the fund.

34 e. Moneys in the form of a devise, gift, bequest,
35 donation, federal or other grant, reimbursement, repayment,

1 judgment, transfer, payment, or appropriation from any source
2 intended to be used for the purposes of the fund.

3 6. Moneys deposited into the fund are not subject to
4 section 8.33. Notwithstanding section 12C.7, subsection 2,
5 interest or earnings on moneys in the fund shall be credited
6 to the fund.

7 Sec. 5. NEW SECTION. 175.37 AGRICULTURAL PROCESSORS
8 FINANCING PROGRAM.

9 An agricultural processors financing program is
10 established. The program shall be administered by the
11 authority. The authority shall administer the program to
12 finance the acquisition of land and improvements and
13 depreciable property by agricultural processors.

14 1. An agricultural processor who is eligible for
15 assistance under this program is limited to a business
16 association as defined in section 9H.1 which meets all of the
17 following:

18 a. The principal business operations of the business
19 association are located in this state.

20 b. The business association has been in operation for ten
21 years or less.

22 c. The business association has a net worth of less than
23 one hundred million dollars.

24 2. The authority may provide financing by providing for
25 secured or unsecured direct loans; loan guarantees; interest
26 buy-downs; and secondary market purchases of loans or
27 mortgages, loans to mortgage lenders, lending institutions, or
28 other lenders, as designated by rule of the authority.

29 EXPLANATION

30 PROVISIONS OF THE BILL. This bill amends Code chapter 175,
31 the "Iowa Agricultural Development Act". The Code chapter is
32 administered by the agricultural development authority, which
33 is empowered to issue bonds in order to support programs to
34 assist agricultural producers, including the beginning farmers
35 program.

1 The bill provides that the agricultural development
2 authority may also assist agricultural processors by financing
3 the acquisition of land and improvements and depreciable
4 property by agricultural processors. Under the bill, a
5 processor is a person actively engaged in turning an
6 agricultural commodity into a product by physical, chemical,
7 or genetic modification. The bill establishes an agricultural
8 processors financing fund as a separate and distinct fund in
9 the state treasury. According to the bill the authority may
10 issue bonds which are to provide sufficient moneys to the fund
11 to support the program.

12 The fund is largely supported from moneys required to be
13 repaid to the department of economic development by an Iowa
14 agricultural industry finance corporation that receives an
15 agricultural industry finance loan.

16 BACKGROUND -- IOWA AGRICULTURAL INDUSTRY FINANCE
17 CORPORATIONS. Under Division XIX of Code chapter 15E, an Iowa
18 agricultural industry finance corporation is a private
19 business which is recognized by the state to provide financing
20 to eligible persons who are engaging in specific agricultural
21 industrial ventures (an agricultural products processor or an
22 agricultural biotechnology enterprise). There is one such
23 corporation currently organized that has received an Iowa
24 agricultural industry finance loan from the department of
25 economic development. The general assembly has appropriated
26 moneys to the department, subject to repayment, for purposes
27 of awarding such a loan to an eligible corporation in order to
28 finance these ventures (see 1998 Acts, chapter 1207). Under
29 current law, the repayment moneys are required to be deposited
30 in the road use tax fund.

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