

House File 668 - Introduced

HOUSE FILE 668

BY JACOBY

A BILL FOR

1 An Act providing for a linked investment loans for emerging
2 businesses program administered by the department of
3 economic development.

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

1 Section 1. NEW SECTION. 15E.81 Short title.

2 This division shall be known as and may be cited as the
3 "*Linked Investment Loans for Emerging Businesses Act*".

4 Sec. 2. NEW SECTION. 15E.82 Definitions.

5 For purposes of this division, unless the context otherwise
6 requires:

7 1. "*Department*" means the department of economic
8 development.

9 2. "*Eligible borrower*" means a business meeting the
10 requirements of section 15E.83.

11 3. "*Eligible lending institution*" means a financial
12 institution empowered to make commercial loans and eligible to
13 be a depository of state funds pursuant to chapter 12C.

14 4. "*Emerging business*" means a business in existence less
15 than five years.

16 5. "*Fund*" means the grow Iowa values fund created in section
17 15G.111.

18 6. "*Linked investment*" means an agreement between the
19 department and an eligible lending institution in which the
20 department obtains a certificate of deposit from the lending
21 institution and in which the eligible lending institution
22 agrees to loan to an eligible borrower an amount at least equal
23 to the amount of the principal specified in the certificate of
24 deposit.

25 7. "*Primary sector business*" means a business participating
26 in interstate or intrastate commerce and engaged in
27 manufacturing, processing, or assembling products, conducting
28 research and development, or providing services in interstate
29 or intrastate commerce. "*Primary sector business*" does not
30 include retail, health, or professional services businesses.

31 8. "*Program*" means the linked investment loans for emerging
32 businesses program established in section 15E.84.

33 9. "*Qualifying wage threshold*" means the same as defined in
34 section 15G.101.

35 Sec. 3. NEW SECTION. 15E.83 Eligible borrowers.

1 1. A business meeting the requirements of this section is
2 eligible to apply for the linked investment loans for emerging
3 businesses program established in section 15E.84.

4 2. To be eligible, a business must meet all of the following
5 requirements:

6 a. The business is an Iowa-based primary sector business.

7 b. The business is an emerging business seeking to
8 expand, an emerging business seeking to purchase another
9 Iowa-based business, or any existing business that has suffered
10 significant physical damage as a result of a natural disaster.

11 c. The business can demonstrate that the proceeds of a
12 linked investment loan will result in the creation or retention
13 of five or more jobs at one hundred eighty percent of the
14 qualifying wage threshold, ten or more jobs at one hundred
15 sixty percent of the qualifying wage threshold, or twenty or
16 more jobs at one hundred thirty percent of the qualifying wage
17 threshold.

18 Sec. 4. NEW SECTION. 15E.84 **Linked investment loans for**
19 **emerging businesses program.**

20 1. *Program established.*

21 a. The department shall establish and administer a linked
22 investment loans for emerging businesses program for purposes
23 of investing moneys in financial institutions in order to
24 facilitate the flow of private capital to eligible borrowers.

25 b. In investing moneys under the program, the department
26 shall invest in certificates of deposit at eligible lending
27 institutions. The department may invest as much as twenty-five
28 percent of the balance of moneys in the fund.

29 c. The department may obtain or renew a certificate of
30 deposit from an eligible lending institution for an amount of
31 time determined by the department, but the total amount of time
32 a certificate may be held by an eligible lending institution
33 shall not exceed five years.

34 d. Interest earned under the program shall be considered
35 earnings of the fund and notwithstanding section 12C.7 shall

1 be credited to the fund.

2 e. A loan provided to an eligible borrower through a linked
3 investment pursuant to this division does not receive financial
4 assistance for purposes of section 15G.112 and is not subject
5 to the job and wage requirements specified in that section.

6 2. *Application and certification.*

7 a. An eligible lending institution wishing to participate in
8 the program shall accept and review applications for loans from
9 eligible borrowers.

10 b. The eligible lending institution shall certify that the
11 applicant is an eligible borrower under the program, determine
12 whether to make a loan to the applicant, and, if so, the amount
13 of the loan.

14 3. *Loan packages.*

15 a. An eligible lending institution wishing to accept
16 a linked investment from the department shall send to the
17 department a loan package.

18 b. The loan package shall include but not be limited to the
19 amount of the loan requested by the applicant, the amount of
20 the investment requested by the eligible lending institution
21 from the department, a plan detailing the purposes for which
22 the applicant intends to expend the loan proceeds, an estimate
23 of the economic impact to the state of the applicant's plan
24 for the proceeds, and a certification by the eligible lending
25 institution that the applicant is an eligible borrower pursuant
26 to section 15E.83.

27 4. *Linked investment terms.*

28 a. The department shall accept and review loan packages sent
29 by eligible lending institutions. The department, subject to
30 the requirements of this division, may make a linked investment
31 according to the terms requested in the loan package or may
32 negotiate other terms.

33 b. In reviewing a loan package as a potential linked
34 investment, the department shall consider the type or terms of
35 the loan involved, the nature of the applicant's business, the

1 availability of state funds, and the compliance history of both
2 the eligible borrower and the eligible lending institution.

3 *c.* Upon reaching acceptable terms for the linked
4 investment, the department shall deposit with the eligible
5 lending institution moneys from the fund, and the eligible
6 lending institution shall issue to the department one or more
7 certificates of deposit.

8 *d.* The interest rate of a certificate of deposit may
9 be negotiated by the department and the eligible lending
10 institution but shall be at a rate below the current market
11 rate. However, the department shall not negotiate an
12 annualized interest rate on the certificate of deposit that is
13 less than one-half of one percent.

14 *e.* The eligible lending institution shall remit the interest
15 earned on the certificate of deposit and any principal not
16 renewed on the date the certificate of deposit matures.

17 *f.* Certificates of deposit issued pursuant to this division
18 shall not be subject to a penalty for early withdrawal.

19 5. *Loan terms.* An eligible lending institution accepting
20 a linked investment shall make a loan to the applicant for an
21 amount at least equal to the value of the moneys deposited by
22 the department. The loan shall be at an interest rate not more
23 than four percent above the interest rate of the certificate
24 of deposit.

25 Sec. 5. NEW SECTION. 15E.85 **Liability.**

26 1. Neither the state nor the department shall be liable to
27 an eligible lending institution in any manner for payment of
28 the principal or interest on the loan from an eligible lending
29 institution to an eligible borrower.

30 2. In making linked investments with eligible lending
31 institutions for loans to eligible borrowers, the department
32 shall not pledge the credit or taxing power of the state nor
33 in any manner give or loan the state's credit in aid of the
34 eligible borrower.

35 3. In making linked investments with eligible lending

1 institutions for loans to eligible borrowers, the department
2 shall not pay, assume, or become responsible for the debts or
3 liabilities of the eligible borrower.

4 4. A delay in payments by an eligible borrower to an
5 eligible lending institution or a default on the part of an
6 eligible borrower shall not in any manner affect the linked
7 investment agreement between the eligible lending institution
8 and the department.

9 Sec. 6. NEW SECTION. 15E.86 Rules.

10 The department shall adopt rules pursuant to chapter 17A
11 to administer this division. The rules shall provide for the
12 administration of the program and for monitoring the compliance
13 of eligible lending institutions and eligible borrowers with
14 the requirements of this division.

15 EXPLANATION

16 This bill creates a linked investment loans for emerging
17 businesses program.

18 The program is similar in structure to the linked
19 investments for tomorrow Act in Code sections 12.31 through
20 12.43. Under the program created in the bill, an eligible
21 business applies to an eligible lending institution for a loan,
22 and the lending institution seeks a linked investment from the
23 department of economic development. Moneys invested by the
24 department come from the grow Iowa values fund.

25 An eligible lending institution is a financial institution
26 empowered to make commercial loans and eligible to be a
27 depository of state funds pursuant to Code chapter 12C. An
28 eligible borrower is a business that is: (1) an Iowa-based
29 primary sector business; (2) an emerging business seeking
30 to expand, an emerging business seeking to purchase another
31 Iowa-based business, or any existing business that has suffered
32 significant physical damage as a result of a natural disaster;
33 and (3) a business that can demonstrate that the proceeds of a
34 linked investment loan will result in the creation or retention
35 of five or more jobs at 180 percent of the qualifying wage

1 threshold, 10 or more jobs at 160 percent of the qualifying
2 wage threshold, or 20 or more jobs at 130 percent of the
3 qualifying wage threshold.

4 If a lending institution wishes to receive a linked
5 investment, the lending institution must send a loan package
6 to the department for review. The department may negotiate
7 the terms of the linked investment and accept a certificate of
8 deposit from the lending institution. The lending institution
9 must agree to loan an amount at least equal to the value of
10 the certificate of deposit to the eligible borrower. The
11 annualized interest rate on the certificate of deposit is
12 negotiable but cannot be less than one-half of 1 percent.
13 The loan to the eligible borrower cannot be at a rate of
14 interest more than 4 percent above the rate of the department's
15 certificate of deposit.

16 The linked investments do not constitute the payment of a
17 business debt by the state nor do they pledge the credit or
18 taxing power of the state.

19 The department is directed to adopt rules for the
20 administration of the program.