

House File 2578 - Introduced

HOUSE FILE 2578

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A BILL FOR

1 An Act establishing a small business revolving loan program
2 and small business revolving loan fund within the economic
3 development authority to award low-interest loans to
4 eligible small businesses.

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

1 Section 1. NEW SECTION. 15.302 Small business revolving
2 loan program and fund.

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

5 a. "*Eligible small business*" means a business meeting the
6 requirements of subsection 5.

7 b. "*Financial assistance*" means a low-interest loan with a
8 five-year term.

9 c. "*Fund*" means the small business revolving loan fund.

10 d. "*Located in*" means the place or places at which
11 a business's operations are located and where at least
12 ninety-five percent of the business's employees work, or where
13 employees that are paid at least ninety-five percent of the
14 business's payroll work.

15 e. "*Program*" means the small business revolving loan
16 program.

17 2. a. A small business revolving loan fund is created
18 in the state treasury under the control of the authority
19 and consists of any moneys appropriated to the fund by the
20 general assembly and any other moneys available and obtained
21 or accepted by the authority for placement in the fund. The
22 fund shall be used to provide financial assistance under the
23 program. The authority shall use any moneys specifically
24 appropriated for purposes of this section only for the purposes
25 of this section.

26 b. Notwithstanding section 8.57, subsection 5, paragraph
27 "c", there is appropriated from the rebuild Iowa infrastructure
28 fund to the authority for deposit in the fund, for the fiscal
29 year beginning July 1, 2020, and for each succeeding fiscal
30 year, the sum of five million dollars.

31 c. Notwithstanding section 12C.7, subsection 2, interest
32 or earnings on moneys in the fund shall accrue to the
33 authority and shall be used for purposes of this section.
34 Notwithstanding section 8.33, moneys in the fund at the end
35 of each fiscal year shall not revert to any other fund but

1 shall remain in the fund for expenditure for subsequent fiscal
2 years. All repayments, payments of interest, or recaptures
3 of the financial assistance provided under this section shall
4 accrue to the authority and shall be used for purposes of this
5 section.

6 *d.* The authority shall not use more than five percent of
7 the moneys in the fund at the beginning of the fiscal year for
8 purposes of administrative costs, marketing, and other program
9 support.

10 3. The authority shall establish and administer a small
11 business revolving loan program for purposes of awarding
12 financial assistance to eligible small businesses. Financial
13 assistance awarded to an eligible small business pursuant to
14 the program shall not exceed fifty thousand dollars.

15 4. The authority shall begin to award financial assistance
16 from the fund not later than January 1, 2021.

17 5. A business is eligible to apply for financial assistance
18 under the program if the business meets all of the following
19 criteria at the time of the business's application:

20 *a.* The business has fifteen or fewer full-time equivalent
21 employees.

22 *b.* The business is located in Iowa.

23 *c.* The business is owned, operated, and actively managed by
24 a resident of Iowa.

25 *d.* The business has a business plan and has received
26 assistance in the development stage or the expansion stage from
27 a small business development center.

28 *e.* If the business has been a going concern for two years or
29 more, the business has not been found to be in violation of any
30 environmental or worker safety laws or rules.

31 *f.* The business only employs individuals legally authorized
32 to work in the state.

33 *g.* The business does not engage in the production,
34 depiction, or distribution of obscene material. For purposes
35 of this paragraph, "*obscene material*" means the same as defined

1 in section 728.1.

2 *h.* The business is not in bankruptcy and is not imminently
3 contemplating filing for bankruptcy.

4 6. Upon approval by the authority of a business's
5 application, the business shall enter into an agreement with
6 the authority which shall include but not be limited to all of
7 the following provisions:

8 *a.* If the business, after being awarded financial
9 assistance, does not continue to meet one or more of the
10 criteria for eligibility under subsection 5, except for
11 subsection 5, paragraph "a", all or a portion of the financial
12 assistance received is subject to disallowance, recapture, or
13 immediate repayment.

14 *b.* If, after being awarded financial assistance, the
15 business ceases operations or removes a significant portion
16 of its operations to a location outside of the state, all or
17 a portion of the financial assistance received is subject to
18 disallowance, recapture, or immediate repayment.

19 7. *a.* An eligible small business shall not receive more
20 than one award of financial assistance under this section.

21 *b.* An eligible small business that is awarded financial
22 assistance under this section may apply for financial
23 assistance under other programs administered by the authority.

24 *c.* An eligible small business that is awarded financial
25 assistance under this section shall not use such financial
26 assistance for purposes of meeting the business's payroll
27 obligations.

28 8. The authority shall, by January 15 of each year, submit
29 a report on the program to the general assembly. The report
30 shall include all of the following information for each small
31 business that is awarded financial assistance under the program
32 in the immediately preceding calendar year:

33 *a.* The industry or service area in which the business
34 operates.

35 *b.* The number of employees employed by the business.

1 c. The amount of the financial assistance awarded by the
2 authority to the business.

3 d. The county in which the business is located.

4 e. Whether the business is a start-up or a going concern.

5 f. Identification of the small business development center
6 providing the business with assistance in the development stage
7 or the expansion stage.

8 g. If applicable, identification of the small business
9 center that referred the business to the program.

10 9. The authority shall adopt rules pursuant to chapter 17A
11 as necessary to administer the program.

12 EXPLANATION

13 The inclusion of this explanation does not constitute agreement with
14 the explanation's substance by the members of the general assembly.

15 This bill establishes a small business revolving loan
16 program and small business revolving loan fund within the
17 economic development authority for the purpose of awarding
18 low-interest loans to eligible small businesses.

19 The bill creates a small business revolving loan fund
20 (fund) in the state treasury under the control of the economic
21 development authority (authority). The fund consists of any
22 moneys appropriated to the fund by the general assembly and
23 any other moneys available and obtained or accepted by the
24 authority for placement in the fund. The bill establishes a \$5
25 million standing appropriation for the fund for the fiscal year
26 beginning July 1, 2020, from the rebuild Iowa infrastructure
27 fund. The bill requires that the fund be used to provide
28 financial assistance under the small business revolving loan
29 program (program). "Financial assistance" is defined in the
30 bill as a low-interest loan with a five-year term.

31 Interest or earnings on moneys in the fund shall accrue to
32 the authority and must be used for purposes of the program.
33 Moneys in the fund at the end of each fiscal year do not revert
34 to any other fund but remain in the fund for expenditure for
35 subsequent fiscal years. All payments of interest, repayments,

1 or recaptures of financial assistance awarded under the program
2 accrue to the authority and must be used for purposes of the
3 program. The authority may use not more than 5 percent of the
4 moneys in the fund at the beginning of each fiscal year for
5 purposes of administrative costs, marketing, and other program
6 support. The authority is required to begin to award financial
7 assistance from the fund not later than January 1, 2021.

8 The bill directs the authority to establish a program for
9 purposes of providing financial assistance to eligible small
10 businesses. Financial assistance awarded to an eligible small
11 business shall not exceed \$50,000. A business is eligible
12 to apply for financial assistance under the program if the
13 business, at the time of application, has 15 or fewer full-time
14 equivalent employees; is located in Iowa; is owned, operated,
15 and actively managed by a resident of Iowa; has a business plan
16 and has received assistance in the development stage or the
17 expansion stage from a small business development center; only
18 employs individuals legally authorized to work in the state;
19 does not engage in the production, depiction, or distribution
20 of obscene material; and is not in bankruptcy or imminently
21 contemplating filing for bankruptcy. If the business has been
22 a going concern for two years or more, the business must not
23 have violated any environmental or worker safety laws or rules.
24 "Located in" is defined in the bill as the place or places at
25 which a business's operations are located and where at least 95
26 percent of the business's employees work, or where employees
27 that are paid at least 95 percent of the business's payroll
28 work.

29 Upon the authority's approval of a business's application,
30 the eligible small business is required to enter into an
31 agreement with the authority. The agreement must include
32 provisions as outlined in the bill.

33 An eligible small business may not be awarded more than one
34 loan under the program; however, the business may apply for
35 financial assistance under other programs administered by the

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1 authority. Awarded financial assistance cannot be used by an
2 eligible small business for meeting payroll obligations.

3 The bill directs the authority to submit an annual report on
4 the program by January 15 to the general assembly. The report
5 must include information, as detailed in the bill, for each
6 business that received financial assistance under the program
7 in the immediately preceding calendar year.

8 The authority must adopt rules pursuant to Code chapter 17A
9 as necessary to administer the program.