

REPORT OF THE SERVICE COMMITTEE

TO THE LEGISLATIVE COUNCIL

July 17, 1985

The Service Committee met on Tuesday, July 16, 1985 and makes the following recommendations to the Legislative Council:

1. That the Request for Proposal for the comparable worth study approved by the Legislative Council at the June 19, 1985 Council meeting be amended on page 2, item 4, paragraph c, to read that the final report of the study be presented no later than April 1, 1986 and the study be conducted both prior to and during the 1986 legislative session. In addition, that Mr. Koebernick be directed to inform all potential bidders of the change in the deadline date.

2. That the salary level of Ms. Laverne Swanson, Administrative Code Assistant, Deputy Code Editor's Office, be increased from pay grade 28, step 4, to pay grade 28, step 5.

3. That the Director of the Computer Support Bureau be granted a merit salary increase approximately equivalent to a step increase.

4. That the Deputy Code Editor be granted a merit salary increase approximately equivalent to a step increase.

5. That Ms. Gloria St. Peter be employed by the Legislative Fiscal Bureau as a Legislative Analyst I at pay grade 24, step 1.

Respectfully submitted,

REPRESENTATIVE JOHN H. CONNORS  
Chairman

REPORT OF THE STUDIES COMMITTEE  
TO THE LEGISLATIVE COUNCIL

July 17, 1985

The Studies Committee met on July 17, 1985 to consider interim study requests and the appointment of legislative and public members to interim study committees and makes the following recommendations:

1. That the following two study committees be established with five senate members and five house members and three meeting days authorized for each study committee:

a. Local Government Structure Study Committee -

Evaluation of the Iowa ACIR Report on alternative forms of local government with recommendations for legislation regarding authorization for local governments to change their governmental structure.

b. Transportation Funding Study Committee -

Evaluation of the capacity of road funds to accommodate state economic development goals under the current distribution formula/classification including the funding for the needs of those roads transferred between jurisdictions.

2. That the legislative and public members selected for membership on the respective study committees by the speaker of the house, minority leader of the house, and majority and minority leaders of the senate be approved as submitted.

Respectfully submitted,

SPEAKER DONALD AVENSON  
Chairman

### SUMMARY OF RECOMMENDATIONS

The recommendations presented here in summary form are discussed in fuller detail in the appropriate sections of the report. Recommendations are offered in the following areas: short-term financing, long-term financing, venture capital, farm finance, and general.

#### RECOMMENDATIONS: SHORT-TERM FINANCING

These recommendations would affect short- to medium-term loans.

#### Expand and Refine the State Treasurer's Linked Deposit Plan

This program would be more effective if the following modifications were made:

- o extend the deposit term from six months to one year or more if possible, because six-month deposits are too short to encourage the banks to make more loans. In fact, placing short-term deposits may have an adverse effect by encouraging banks to make very short-term loans that are very risky for the borrowing business.
- o place deposits only with institutions that have shown a willingness to serve the financial needs of their communities. For example, banks with low loan-to-asset ratios (perhaps below 45 percent) should not be eligible to participate unless they show a willingness and ability to boost their loan-to-asset ratio. Institutions with good community lending records might be eligible to go through the queue more rapidly than others. Close cooperation with the bank regulating agencies and scrutiny of each bank's community investment statement would help in determining eligibility.
- o obtain reports from the banking regulators to determine the institution's safety before making the deposits. Depositing funds within the state provides the opportunity to closely monitor the safety of those funds. Therefore, the examiners' knowledge of the local institutions should be used to its fullest advantage for this purpose.
- o consider placing extra amounts with banks that are members of regional consortia, which make larger loans for longer terms than the typical loan.

#### Study the Problem of Bank Lending Practices in More Detail

- o Conduct more in-depth analyses, based on accurate statistics which can only be obtained by bank examiners. Such analyses are needed to determine the extent of lending problems and

their underlying causes. The problem can be attributed to four major factors: the small size of many Iowa banks, their limited ability to evaluate and make business and commercial loans, lack of demand from creditworthy firms, and lack of bank initiative and community responsibility. A survey could augment basic statistics.

Provide Training for Bank Loan Officers

- o Utilize the state's existing jobs training program ("623") to fund training for loan officers. It might be possible to increase demand of creditworthy firms by helping lenders and loan applicants to understand each other's needs. While several programs at the state and local level can help applicants learn to prepare business plans and loan applications, none now address the bank loan officers' level of expertise. There is evidence that in Iowa, as in most states, many loan officers have not had any formal training in facilitating lending. Small banks often lack the resources to train their personnel to handle certain types of loans and to take a cooperative approach towards relatively unsophisticated borrowers.

RECOMMENDATIONS: LONG-TERM FINANCING

This recommendation applies to insurance companies.

- o Reduce by up to 1 percent the premium tax for insurance companies and other entities subject to the tax, provided they make additional investments in Iowa. The dollar value of the tax cut could be applied to increase the yields on Iowa investment opportunities to make those yields more attractive than other opportunities nationwide. Additional financing for mortgages and more equity interests in large-scale development could be encouraged.

This recommendation applies to government assistance at the state and local level.

- o Merge the administration of government assisted long-term financing programs with the administration of short-term assistance so that a business can go to a one-stop information center to package its financing.

RECOMMENDATIONS: VENTURE CAPITAL

- o Consider authorizing an Iowa income tax exemption for a portion of the proceeds of gains from investments in new product development and first-stage venture capital.
- o Improve the technical capacity of the Iowa Product Development Corporation to evaluate opportunities.

Garland S. ...  
Associates Inc.

- o Limit state financial support for research and development through the High-Technology Council to projects that have a commercial partner. Noncommercial basic research can be funded in other ways.
- o Expand and restructure an independent nonpartisan board of technical and financial experts who will approve grant applications.

RECOMMENDATION: FARM FINANCE

- o Create AGVEN, a farm venture capital pool for Iowa investors. Investment would be made in farm enterprises that offer significant prospects for growth of capital over the next five to ten years. This category could include farms that are on the brink of foreclosure as well as more stable enterprises. Farmers would have an option to buy back the equity taken by investors after a specific period of time. AGVEN would help reduce the excessive debt carried by many farmers and provide the working capital needed to make farm operations profitable.

RECOMMENDATION: GENERAL

Set up an Interim Study Committee on State Economic Development Finance to further explore the real capital gaps and to consider legislation that would encourage more private investment through tax exemptions and more publicly assisted investment.