

CHAPTER 33**ECONOMIC DEVELOPMENT, LOTTERY AND TRADE CENTER***H.F. 225*

AN ACT relating to economic development by creating a five-year state lottery, providing penalties, and providing revenues from the state lottery to be used for certain economic development programs and activities; providing for set-asides in state procurement contracts for small minority businesses; providing for the reorganization of state economic development programs and activities with the Iowa development commission acting as the interim coordinating agency for economic development until the new department of economic development is created; creating an Iowa partnership for economic progress advisory committee to advise the Iowa development commission and the general assembly on economic development matters and the uses to be made of the revenues from the state lottery; creating an Iowa world trade center selection advisory committee to accept proposals from private groups on the construction of the Iowa world trade center, to select from those proposals one proposal under which the state will purchase space in the Iowa world trade center, and to become part of the nonprofit corporation formed to operate, manage and lease this state-owned space; establishing a primary research and marketing center for business and international trade and satellite centers; creating a forgivable loan program for loans to students who remain residents of Iowa and are employed as a teacher under certain circumstances; making appropriations for economic development programs and activities; and providing an effective date.

Be It Enacted by the General Assembly of the State of Iowa:

DIVISION I

Section 101. **NEW SECTION. 99E.1 TITLE.**

This chapter may be cited as the "Iowa Lottery Act".

Sec. 102. **NEW SECTION. 99E.2 DEFINITIONS.**

As used in this chapter, unless the context otherwise requires:

1. "Commissioner" means the commissioner of the lottery.
2. "Director" means the director of each of the three divisions of the lottery agency operating under the commissioner.
3. "Lottery" means the lottery created and operated under this chapter.
4. "Board" means the Iowa lottery board.
5. "Licensee" means the person issued a license by the commissioner to sell lottery tickets or shares. The licensee is responsible for the licensee's employees' conduct which is within the scope of this chapter.
6. "Ticket" means any tangible evidence issued by the Iowa lottery agency to prove participation in a game conducted by the state lottery agency.
7. "Share" means any intangible manifestation authorized by the Iowa lottery agency to prove participation in a game conducted by the state lottery agency.

8. "On-line lotto" means a lottery game hooked up to a central computer via telecommunications lines in which the player selects a specified group of numbers out of a predetermined range of numbers.

9. "Instant lottery" means a game that offers preprinted tickets that indicate immediately whether the player has won.

Sec. 103. NEW SECTION. 99E.3 ESTABLISHMENT OF LOTTERY — APPOINTMENT OF COMMISSIONER — OTHER EMPLOYEES.

1. A state agency is established to be known as the Iowa lottery agency. Except as provided in section 99E.9, subsection 3, paragraph "b", the Iowa lottery agency is subject to chapter 17A. It is a separate agency of state government whose head is the commissioner.

2. The commissioner shall be qualified by training and experience to direct the lottery. The commissioner shall be appointed by the governor within thirty days after the effective date of this Act subject to confirmation by the senate, and shall serve at the pleasure of the governor. A vacancy occurring in the office of the commissioner shall be filled in the same manner as the original appointment. Section 2.32 applies to the appointment of the commissioner. The commissioner shall devote time and attention solely to the duties of the office and shall not be engaged in any other profession or occupation. The commissioner shall receive a salary determined by the governor within salary range five as set by the general assembly.

3. The commissioner may employ clerks, stenographers, inspectors, agents, and other employees pursuant to chapter 19A as necessary to carry out this chapter, except as provided in section 99E.14, subsection 2.

Sec. 104. NEW SECTION. 99E.4 COMMISSIONER'S OATH — BOND — EMPLOYEES — BONDING OF EMPLOYEES.

1. Before taking office, the commissioner shall take an oath to faithfully execute the duties of the office according to the laws of the state, and shall give bond with sufficient surety to be approved by the governor in the sum of not less than twenty-five thousand dollars, conditioned upon faithful execution and performance of the duties of the office. The bond when fully executed and approved shall be filed in the office of the secretary of state. When in the governor's opinion the bond has become or is likely to become invalid or insufficient, the governor shall require the commissioner to renew the bond in an amount approved by the governor but not less than twenty-five thousand dollars. The cost of a bond given shall be part of the necessary expenses of the lottery.

2. The commissioner shall employ personnel necessary to implement this chapter. The commissioner may require lottery agency employees to give bond in an amount the commissioner determines. Each bond when fully executed and approved shall be filed in the office of the secretary of state. The cost of each bond given shall be part of the necessary expenses of the lottery. The commissioner may obtain a blanket bond to cover personnel of the lottery agency for which the commissioner requires a bond.

Sec. 105. NEW SECTION. 99E.5 LOTTERY BOARD.

An Iowa lottery board is created to consist of five members, not more than three of whom shall be from the same political party, and who shall be appointed by the governor subject to confirmation by the senate. The governor shall appoint the board members within sixty days of the effective date of this Act. The term of each member shall begin and end as provided in section 69.19. A vacancy on the board shall be filled in the same manner as regular appointments are made and the term shall be for the unexpired portion of the regular term.

Sec. 106. NEW SECTION. 99E.6 BOARD QUALIFICATIONS.

Board members shall be residents of this state. At least one member of the board shall be a person who has been a law enforcement officer for not less than five years, one member shall be an attorney admitted to the practice of law in Iowa for not less than five years, and one member shall be a certified public accountant who has practiced accountancy in Iowa for not less than five years.

Sec. 107. NEW SECTION. 99E.7 BOARD MEETINGS.

The board shall hold at least one meeting each month and as often as necessary. The board shall select a chairperson from its membership at the first regular meeting of the board and shall thereafter select a chairperson at the first regular meeting of each fiscal year. Written notice of the time and place of each meeting shall be given to each member of the board. A majority of the board constitutes a quorum.

Sec. 108. NEW SECTION. 99E.8 EXPENSES — SALARY.

Members of the board shall be compensated at a rate of six thousand dollars per year. Members shall also be allowed the actual and necessary expenses incurred in the performance of their duties. The expenses incurred by members of the board and the salaries paid to members of the board are part of the necessary expenses of the lottery agency.

Sec. 109. NEW SECTION. 99E.9 DUTIES OF THE BOARD — RULES — COMMISSIONER.

1. The board and the commissioner shall supervise the lottery in order to produce the maximum amount of net revenues for the state in a manner which maintains the dignity of the state and the general welfare of the people.

2. Subject to the approval of the board, the commissioner may enter into contracts for the operation and marketing of the lottery, except that the board may by rule designate classes of contracts other than major procurements which do not require prior approval by the board. A major procurement shall be as the result of competitive bidding with the contract being awarded to the responsible vendor submitting the lowest and best proposal. However, before a contract for a major procurement is awarded, the division of criminal investigation of the department of public safety shall conduct a thorough background investigation of the vendor, any parent or subsidiary corporation of the vendor, all shareholders of five percent or more interest of the vendor or parent or subsidiary corporation of the vendor, and all officers and directors of the vendor or parent or subsidiary corporation of the vendor to whom the contract is to be awarded. The vendor shall submit to the division of criminal investigation appropriate investigation authorizations to facilitate this investigation. A contract for a major procurement awarded or entered into by the commissioner with an individual or business organization shall require that individual or business organization to establish a permanent office in this state. As used in this subsection, "major procurement" means consulting agreements and the major procurement contract with a business organization for the printing of tickets, or for purchase or lease of equipment or services essential to the operation of a lottery game.

3. Except as provided in subsection 3, paragraph "b", the board shall make rules in accordance with chapter 17A for implementing and enforcing this chapter. The rules shall include but are not limited to the following subject matters:

a. The fees charged for a license to sell lottery tickets or shares. Revenue received by the lottery from license fees shall be transferred to the lottery fund immediately after the cost of processing license applications is deducted.

b. The types of lottery games to be conducted. Rules governing the operation of a class of games are subject to chapter 17A. However, rules governing the particular features of

specific games within a class of games are not subject to chapter 17A. Such rules may include, but are not limited to, setting the name and prize structure of the game and shall be made available to the public prior to the time the games go on sale and shall be kept on file at the office of the commissioner. The board shall authorize instant lottery and on-line lotto games and may authorize the use of any type of lottery game that on the effective date of this Act has been conducted by a state lottery of another state in the United States, or any game that the board determines will achieve the revenue objectives of the lottery and is consistent with subsection 1. However, the board shall not authorize a game using electronic computer terminals or other devices if the terminals or devices dispense coins or currency upon the winning of a prize. In a game utilizing instant tickets, each ticket in the game shall bear a unique consecutive serial number distinguishing it from every other ticket in the game, and each lottery number or symbol shall be accompanied by a confirming caption consisting of a repetition of a symbol or a description of the symbol in words. In the game other than an instant game which uses tangible evidence of participation, each ticket shall bear a unique serial number distinguishing it from every other ticket in the game.

c. The price of tickets or shares in the lottery, including but not limited to authorization of sales of tickets or shares at a discount for marketing purposes.

d. The number and size of the prizes on the winning tickets or shares, including but not limited to prizes of free tickets or shares in lottery games conducted by the lottery and merchandise prizes. The lottery agency shall maintain and make available for public inspection at its offices during regular business hours a detailed listing of the estimated number of prizes of each particular denomination that are expected to be awarded in any game that is on sale or the estimated odds of winning the prizes and, after the end of the claim period, shall maintain and make available a listing of the total number of tickets or shares sold in a game and the number of prizes of each denomination which were awarded.

e. The method of selecting the winning tickets or shares and the manner of payment of prizes to the holders of winning tickets or shares. The rules may provide for payment by the purchase of annuities in the case of prizes payable in installments. Lottery employees shall examine claims and shall not pay any prize for altered, stolen, or counterfeit tickets or shares nor tickets or shares which fail to meet validation rules established for a lottery game. A prize shall not be paid more than once. If the commissioner determines that more than one person is entitled to a prize, the sole remedy of the claimants is to receive an equal share in the single prize. The rules may provide for payment of prizes directly by the licensee.

f. The methods of validation of the authenticity of winning tickets or shares.

g. The frequency of selection of winning tickets or shares. Drawings shall be held in public. Drawings shall be witnessed by an independent certified public accountant. Equipment used to select winning tickets or shares or participants for prizes shall be examined by lottery agency employees and an independent certified public accountant prior to and after each public drawing.

h. Requirements for eligibility for participation in runoff drawings, including but not limited to requirements for submission of evidence of eligibility.

i. The locations at which tickets or shares may be sold.

j. The method to be used in printing and selling tickets or shares. An elected official's name shall not be printed on the tickets. The overall estimated odds of winning a prize in a given game shall be printed on each ticket if the games have either preprinted winners or fixed odds. Estimated odds of winning a prize are not required to be printed on tickets in lottery games of a pari-mutuel nature. As used in this paragraph, "games of a pari-mutuel nature"

means a game in which the amount of the winnings and the odds of winning are determined by the number of participants in the game.

k. The issuing of licenses to sell tickets or shares. In addition to any other rules made regarding the qualifications of an applicant for a license, a person shall not be issued a license unless the person meets the criteria established in section 99E.16, subsection 7.

l. The compensation to be paid licensees including but not limited to provision for variable compensation based on sales volume or incentive considerations.

m. The form and type of marketing, informational, and educational material to be permitted. Marketing material and campaigns shall include the concept of investing in Iowa's economic development and show the economic development initiatives funded from lottery revenue.

n. Subject to section 99E.10, the apportionment of the annual revenues accruing from the sale of lottery tickets or shares and from other sources for the payment of prizes to the holders of winning tickets or shares and for the following:

(1) The payment of costs incurred in the operation and administration of the lottery and the lottery agency, including the expenses of the lottery and the cost resulting from contracts entered into for consulting or operational services, or for marketing.

(2) Actual and necessary expenses of all audits performed pursuant to section 99E.20, subsection 3.

(3) Incentive programs for lottery licensees and lottery employees.

(4) Payment of compensation to licensees necessary to provide for the adequate availability of tickets, shares, or services to prospective buyers and for the convenience of the public.

(5) The purchase or lease of lottery equipment, tickets, and materials.

4. The board and the commissioner may enter into written agreements or compacts with another state or states for the operation, marketing, and promotion of a joint lottery or joint lottery games.

5. Whenever possible when the lottery agency awards a contract under subsection 2, for the lease, purchase, or servicing of a machine to be used in the conducting of a lottery game including, but not limited to, a video lottery machine or machine used in lotto, the lottery agency shall give preference to awarding the contract to a person whose primary place of business is in Iowa.

Sec. 110. NEW SECTION. 99E.10 ALLOCATION AND APPROPRIATION OF FUNDS GENERATED – IOWA PLAN FUND.

1. Upon receipt of any revenue, the commissioner shall deposit the moneys in the lottery fund created pursuant to section 99E.20. As nearly as is practicable, forty-five percent of the projected annual revenue computed on a year-round average basis for each type of lottery game accruing from the sale of tickets or shares is appropriated for payment of prizes to the holders of winning tickets. After the payment of prizes, all of the following shall be deducted from lottery revenue prior to disbursement:

a. An amount equal to one half of one percent of the gross lottery revenue shall be deposited in a gamblers assistance fund in the office of the treasurer of state. Moneys in the fund shall be administered by the commissioner of human services and used to provide assistance and counseling to individuals and families experiencing difficulty as a result of gambling losses and to promote awareness of gamblers anonymous and similar assistance programs.

b. The expenses of conducting the lottery including the reasonable expenses incurred by the attorney general's office in enforcing this chapter.

c. The contractual expenses required in this paragraph. The division of criminal investigation shall be the primary state agency responsible for investigating criminal violations of the law under this chapter. The commissioner shall contract with the department of public safety for investigative services, including the employment of special agents and support personnel, and procurement of necessary equipment to carry out the responsibilities of the division of criminal investigation under the terms of the agreement and this chapter.

Lottery agency expenses for marketing, educational, and informational material shall not exceed four percent of the lottery revenue.

The Iowa plan fund for economic development, also to be known as the Iowa plan fund, is created in the office of the treasurer of state. Lottery revenue remaining after expenses are determined shall be transferred to the Iowa plan fund on a quarterly basis. However, upon the request of the commissioner and subject to approval by the treasurer of state, an amount sufficient to cover the foreseeable administrative expenses of the lottery for a period of twenty-one days may be retained from the lottery revenue. Prior to the quarterly transfer to the Iowa plan fund, the commissioner may direct that lottery revenue shall be deposited in the lottery fund and in interest bearing accounts designated by the treasurer of state in the financial institutions of this state or invested in the manner provided in section 452.10. Interest or earnings paid on the deposits or investments is considered lottery revenue and shall be transferred to the Iowa plan fund in the same manner as other lottery revenue. Money in the Iowa plan fund shall be deposited in interest bearing accounts in financial institutions in this state or invested in the manner provided in section 452.10. The interest or earnings on the deposits or investments shall be considered part of the Iowa plan fund and shall be retained in the fund unless appropriated by the general assembly.

2. Funds transferred to the Iowa plan fund shall be used for economic development initiatives. As used in this subsection "economic development initiatives" means initiatives which encourage development of capital, research and development of new products, and development of jobs in this state by expanding existing business and industry, upgrade academic institutions in order to maintain and attract business and industry, creating new businesses and industries, encourage the conservation of energy in order to create new jobs and attract new business and industry, develop alternate methods for the disposal of solid or hazardous waste, develop markets for products grown or produced or manufactured in the state including the promotion of Iowa and Iowa products, and make grants and loans available to local communities for local economic development initiatives. "Economic development initiatives" does not include providing loans, grants, bonds, or any other incentive or assistance for the construction of a racetrack or other facility where gambling will be permitted.

3. Funds equal to any initial appropriation from the general fund to the lottery shall be returned to the general fund from the receipts of the sale of tickets or shares not later than July 1, 1986. The comptroller shall not include lottery revenues in the comptroller's fiscal year revenue estimates. Moneys in the Iowa plan fund shall not be considered to be a part of the Iowa economic emergency fund.

Sec. 111. NEW SECTION. 99E.11 REPORTS.

1. The commissioner shall report quarterly to the governor, the treasurer of state, and the general assembly. The quarterly report shall include the total lottery revenue, prize disbursements, and other expenses for the preceding quarter. The fourth quarter report shall be included in the annual report made pursuant to subsection 2.

2. The commissioner also shall report annually to the governor, the treasurer of state, and the general assembly. The annual report shall include a complete statement of lottery revenues, prize disbursements, and other expenses, and recommendations for changes in the law which the commissioner deems necessary or desirable. The annual report shall be submitted within ninety days after the close of a fiscal year.

3. The commissioner shall report immediately to the governor, the treasurer of state, and the general assembly any matters that require immediate changes in the law in order to prevent abuses or evasions of this chapter or rules adopted or to rectify undesirable conditions in connection with the administration or operation of the lottery.

Sec. 112. NEW SECTION. 99E.12 STUDIES.

1. The commissioner shall make a continuous study of the lottery to ascertain any defects of this chapter or in the rules which could result in abuses in the administration and operation of the lottery or in any evasion of this chapter or the rules of the commissioner and make recommendations for improvement in this chapter.

2. The commissioner shall make a continuous study of the operation and the administration of similar laws in effect in other states, written material on the subject which is published or available, federal laws which may affect the operation of the lottery, and the reaction of citizens to existing and potential features of the lottery in order to recommend changes that will serve the purposes of this chapter.

3. The commissioner shall make a demographic study of lottery players.

4. The commissioner shall contract with the department of human services to conduct a study of the extent to which the lottery creates a compulsive gambling problem among lottery players and the impact of gambling on affected families.

Sec. 113. NEW SECTION. 99E.13 CONFLICT OF INTEREST — PENALTY.

1. A member of the board, the commissioner, or an employee of the lottery shall not directly or indirectly, individually, as a member of a partnership or other association, or as a shareholder, director, or officer of a corporation have an interest in a business which contracts for the operation and marketing of the lottery as authorized by section 99E.9, subsection 2.

2. A member of the board, the commissioner, an employee of the lottery, or a member of their immediate family shall not ask for, offer to accept, or receive a gift, gratuity, or other thing of more than fifty dollars in value from a person contracting or seeking to contract with the state to supply gaming equipment or materials for use in the operation of a lottery or from an applicant for a license to sell tickets or shares in the lottery or from a licensee.

3. A person contracting or seeking to contract with the state to supply gaming equipment or materials for use in the operation of a lottery, an applicant for a license to sell tickets or shares in the lottery, or a licensee shall not offer a member of the board, the commissioner, an employee of the lottery, or a member of their immediate family a gift, gratuity, or other thing of more than fifty dollars in value.

4. A board member, commissioner, or employee of the lottery who violates a provision of this section, or if a member of their immediate family violates a provision of this section, shall be immediately removed from the office or position.

5. A violation of this section is a serious misdemeanor.

6. As used in this section, "member of their immediate family" means a spouse, child, step-child, brother, brother-in-law, stepbrother, sister, sister-in-law, stepsister, parent, parent-in-law, or stepparent of the board member, the commissioner, or the employee.

7. Enforcement of this section against a board member or commissioner shall be by the attorney general who upon finding a violation shall initiate an action to remove the board member or commissioner.

8. In addition to the prohibitions of this section, the prohibitions of sections 722.1 and 722.2 are applicable.

Sec. 114. NEW SECTION. 99E.14 LOTTERY DIVISIONS — DIRECTORS.

1. The Iowa lottery agency has three divisions:

a. A security and licensing division.

- b. An administrative division.
- c. A marketing, education, and information division.

2. Each division is under the supervision of a director appointed by the commissioner and each director shall have expertise in the functions of the division. The position of director is exempt from the provisions of chapter 19A. The commissioner shall designate one of the directors to serve as acting commissioner during the commissioner's absence.

3. Departments, boards, commissions, or other agencies of this state shall provide reasonable assistance to the lottery upon the request of the commissioner.

Sec. 115. NEW SECTION. 99E.15 POWER TO ADMINISTER OATHS AND TAKE TESTIMONY – SUBPOENA.

The commissioner or the commissioner's designee authorized to conduct an inquiry, investigation, or hearing under this chapter may administer oaths and take testimony under oath relative to the matter of inquiry, investigation, or hearing. At a hearing ordered by the commissioner, the commissioner or the designee may subpoena witnesses and require the production of records, papers, and documents pertinent to the hearing.

Sec. 116. NEW SECTION. 99E.16 LICENSING – BONDS.

1. The commissioner shall license persons to sell lottery tickets or shares to best serve public convenience. A licensee shall not engage in business exclusively to sell lottery tickets or shares. However, the board may approve a special license to permit a licensee or the lottery agency itself to sell lottery tickets or shares to the public at special events approved by the board. Before issuing a license the commissioner shall consider the financial responsibility and security of the applicant, the applicant's business or activity, the accessibility of the applicant's place of business or activity to the public, the sufficiency of existing licensees to serve the public convenience, and the volume of expected sales. A licensee shall cooperate with the lottery by using point-of-purchase materials, posters, and other educational, informational, and marketing materials when requested to do so by the lottery. Lack of cooperation is sufficient cause for revocation of a person's license.

2. A licensee shall sell tickets or shares only on the premises stated in the license. The licensee shall only sell a ticket or share in person and not over a telephone. The licensee shall accept payment in cash only. The licensee shall not extend or arrange credit for the purchase of a ticket or share. As used in this subsection "cash" means United States currency. "Cash" does not mean any other form of payment including, but not limited to, check, credit card, or a negotiable instrument.

3. A licensee shall display the license or a copy of the license together with the lottery rules wherever tickets or shares are sold. A license is not assignable or transferable. The commissioner may issue a temporary license when deemed necessary.

4. The commissioner may require a bond from a licensee in an amount as provided in the rules graduated according to the volume of expected sales of lottery tickets or shares by the licensee, or may require a licensee to furnish evidence of financial responsibility.

5. A bond shall not be canceled by a surety on less than thirty days' notice in writing to the commissioner. If a bond is canceled and the licensee fails to file a new bond with the commissioner in the required amount on or before the effective date of cancellation, the licensee's license shall be automatically suspended. A suspended license shall be revoked if the requirements of this subsection are not met within thirty days of the license suspension. The total and aggregate liability of the surety on the bond is limited to the amount specified in the bond.

6. Subject to the approval of the board, the commissioner may authorize compensation to licensees in the manner and amounts and subject to the limitations the commissioner determines if the commissioner finds that compensation is necessary to assure adequate availability of lottery tickets or shares.

7. A license shall be granted only after the commissioner finds all of the following:

- a. The applicant is at least eighteen years of age.
- b. The person has not been convicted of a fraud or a felony.
- c. The person has not been convicted or found to have committed a violation of this chapter.
- d. The person has not previously had a license issued under this chapter revoked.
- e. The person has not had a license to sell lottery tickets or shares in another jurisdiction suspended or revoked by the authority regulating a lottery or by a court of that jurisdiction.
- f. The applicant has demonstrated financial responsibility sufficient to adequately meet the requirements of the proposed enterprise.
- g. The applicant is the true owner of the proposed lottery business and that all persons holding at least a ten percent ownership interest in the applicant's business has been disclosed.

h. The applicant has not knowingly made a false statement of material fact to the commission.

8. If after a license is granted the commissioner finds that the licensee has violated this section, then the commissioner shall revoke the license.

Sec. 117. NEW SECTION. 99E.17 SUSPENSION OR REVOCATION OF LICENSE — HEARINGS — HEARING BOARD.

1. The commissioner may suspend or revoke the license of a licensee who violates a provision of this chapter or a rule adopted pursuant to this chapter. If the commissioner suspends or revokes a license, or refuses to grant a license, the aggrieved party is entitled to a hearing by filing a written request with the commissioner. Upon receipt of the request for hearing, the commissioner shall set a hearing date within thirty days of receipt of the request, and shall notify the aggrieved party, in writing, at least seven days in advance of the hearing date. The commissioner may stay the revocation or suspension of a license pending the outcome of the hearing, when a stay is requested with the request for hearing.

2. A three-member hearing board for the purpose of conducting hearings relating to controversies concerning the issuance, suspension, or revocation of licenses is created. One member shall be a designee of the board, one member shall be the treasurer of state or a designee of the treasurer of state, and one member shall be the commissioner of public safety or a designee of the commissioner of public safety. The lottery board shall adopt rules and procedures for conducting the hearings.

3. A license shall be suspended for a period deemed appropriate by the commissioner. A former licensee whose license is revoked is not eligible to receive another license.

Sec. 118. NEW SECTION. 99E.18 PROHIBITED SALES OF TICKETS OR SHARES — FORGERY — PENALTIES.

1. A ticket or share shall not be sold at a price greater than that fixed by the board and the commissioner and a sale shall not be made other than by a licensee or an employee of the licensee who is authorized by the licensee to sell tickets or shares. A person who violates a provision of this subsection is guilty of a simple misdemeanor.

2. A ticket or share shall not be sold to a person who has not reached the age of eighteen. This does not prohibit the lawful purchase of a ticket or share for the purpose of making a gift to a person who has not reached the age of eighteen. A licensee or a licensee's

employee who knowingly sells or offers to sell a lottery ticket or share to a person who has not reached the age of eighteen is guilty of a simple misdemeanor. In addition the license of a licensee shall be suspended. A prize won by a person who has not reached the age of eighteen but who purchases a winning ticket or share in violation of this subsection shall be forfeited.

3. A ticket or share shall not be purchased by and a prize shall not be paid to the commissioner, a board member or employee of the lottery agency, or to a spouse, child, stepchild, brother, brother-in-law, stepbrother, sister, sister-in-law, stepsister, parent, parent-in-law, or stepparent residing as a member of the same household in the principal residence of the commissioner, a board member, or an employee. A ticket or share purchased in violation of this subsection is void.

4. A person who, with intent to defraud, falsely makes, alters, forges, utters, passes, or counterfeits a lottery ticket or share is guilty of a class D felony.

Sec. 119. NEW SECTION. 99E.19 DISTRIBUTION OF PRIZES — UNCLAIMED PRIZES — PAYMENT PER WINNING TICKET.

1. The commissioner shall award the designated prize to the ticket or share holder upon presentation of the winning ticket or confirmation of a winning share.

All prizes awarded are Iowa earned income. All lottery winnings are subject to state and federal income tax laws. An amount deducted from the prize for payment of a state tax shall be transferred by the commissioner to the state department of revenue on behalf of the prize winner. Unclaimed prize money for the prize on a winning ticket or share shall be retained for a period deemed appropriate by the commissioner, subject to approval by the board. If a valid claim is not made for the money within the applicable period, the prize money shall be added to future prize pools and given to holders of winning tickets or shares in addition to amounts already allocated.

2. The prize shall be given to the person who presents a winning ticket. A prize may be given to only one person per winning ticket. However, a prize shall be divided between holders of winning tickets if there is more than one winning ticket. Payment of a prize may be made to the estate of a deceased prize winner or to another person pursuant to an appropriate judicial order. The commissioner is discharged of all further liability upon payment of a prize pursuant to this subsection. This section does not prohibit the making of a gift of a lottery ticket or share to a person.

Sec. 120. NEW SECTION. 99E.20 DEPOSIT OF RECEIPTS FROM TICKET OR SHARE SALES — LOTTERY FUND — QUARTERLY AUDITS.

1. The board shall adopt rules for the deposit as soon as possible in the lottery fund of money received by licensees from the sale of tickets or shares less the amount of compensation, if any, authorized under section 99E.16, subsection 6. Subject to approval of the board, the commissioner may require licensees to file with the commissioner reports of receipts and transactions in the sale of tickets or shares. The reports shall be in the form and contain the information the commissioner requires.

2. A lottery fund is created in the office of the treasurer of state. The fund consists of all revenues received from the sale of lottery tickets or shares and all other moneys lawfully credited or transferred to the fund. The commissioner shall certify quarterly that portion of the fund that is transferred to the Iowa plan fund under section 99E.10 and shall cause that portion to be transferred to the Iowa plan fund of the state.

3. The auditor of state or a certified public accounting firm appointed by the auditor shall conduct quarterly and annual audits of all accounts and transactions of the lottery and other special audits as the auditor of state, the general assembly, or the governor deems necessary. The auditor or a designee conducting an audit under this chapter shall have access and authority to examine any and all records of licensees necessary to determine compliance with this chapter and the rules adopted pursuant to this chapter.

Sec. 121. NEW SECTION. 99E.21 LIABILITY AND FUNDING.

The board and the commissioner shall operate the lottery so that after the initial state appropriation, it shall be self-sustaining and self-funded. A claim for the payment of an expense of the lottery and the payment of a lottery prize shall not be made unless it is against the lottery fund or money collected from the sale of lottery tickets or shares. Except for the initial appropriation to the lottery, funds of the state shall not be used or obligated to pay the expenses of the lottery or prizes of the lottery.

Sec. 122. Section 422.45, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 22. The gross receipts from the sales of lottery tickets or shares in lottery games conducted pursuant to chapter 99E.

Sec. 123. Section 537A.4, unnumbered paragraph 2, Code 1985, is amended to read as follows:

This section does not apply to a contract for the operation of or for the sale or rental of equipment for games of skill or games of chance, if both the contract and the games are in compliance with chapter 99B. This section does not apply to wagering under the pari-mutuel method of wagering authorized by chapter 99D. This section does not apply to the sale, purchase or redemption of a ticket or share in the state lottery in compliance with chapter 99E.

Sec. 124. Section 692.2, subsection 1, Code 1985, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. e. The state lottery agency for purposes of section 99E.9, subsection 2.

Sec. 125. Section 725.12, unnumbered paragraph 1, Code 1985, is amended to read as follows:

If any person make or aid in making or establishing, or advertise or make public any a scheme for any a lottery; or advertise, offer for sale, sell, negotiate, dispose of, purchase, or receive any a ticket or part of a ticket in any a lottery or number thereof of a ticket in a lottery; or have in the person's possession any a ticket, part of a ticket, or paper purporting to be the number of any a ticket of any a lottery, with intent to sell or dispose of the same ticket, part of a ticket, or paper on the person's own account or as the agent of another, the person commits a serious misdemeanor. However, this section does not prohibit the possession by a person of a lottery ticket, part of a ticket, or number of a lottery ticket from a lottery legally operated or permitted under the laws of another jurisdiction.

Sec. 126. Section 725.15, Code 1985, is amended to read as follows:

725.15 EXCEPTIONS FOR LEGAL GAMBLING.

Sections 725.5 to 725.10 and ~~section~~ 725.12 shall do not apply to any a game, activity, ticket or device when lawfully possessed, used, conducted or participated in pursuant to chapter 99B or chapter 99E.

Sec. 127. The commissioner shall file an initial report with the governor, treasurer of state, and the general assembly by January 15, 1986 detailing the commissioner's efforts regarding the establishment of a lottery and the status of the lottery.

Sec. 128. The commissioner shall initiate and operate instant lottery games by September 15, 1985 and on-line lotto games by May 1, 1986.

Sec. 129. It is the intent of the general assembly that this Act shall have temporary effect only, that chapter 99E is repealed on July 1, 1990 other than to implement the winding down of the operations of the Iowa lottery board. The amendments to sections 537A.4 and 725.15 made in this Act shall be stricken when chapter 99E is repealed.

DIVISION II

Sec. 201. NEW SECTION. 18.170 TITLE.

Sections 18.171 through 18.175 may be cited as the "Iowa female and minority small business procurement Act."

Sec. 202. NEW SECTION. 18.171 DEFINITIONS.

When used in sections 18.170 through 18.175, unless the context otherwise requires:

1. "Small business" means a business organized for profit which has its principal place of business in Iowa and which is neither dominant in its field of operation nor an affiliate or subsidiary of a business dominant in its field of operation.

2. "Dominant in its field of operation" means exercising a controlling or major influence in a business activity in which a number of businesses are engaged. The following businesses are dominant in their field of operation:

a. Manufacturing businesses which employ more than one hundred persons and whose gross receipts for the preceding three fiscal years exceeded a total of fifteen million dollars.

b. General construction businesses which had gross receipts exceeding a total of six million dollars in the preceding three fiscal years.

c. Speciality construction businesses which had gross receipts exceeding three million dollars in the preceding three fiscal years.

d. Nonmanufacturing businesses which employ more than twenty-five persons and which had gross receipts exceeding three million dollars in the preceding three fiscal years.

3. "Affiliate or subsidiary of a business dominant in its field of operation" means a business which is at least twenty percent owned by a business dominant in that field of operation, or by partners, officers, directors, majority shareholders, or their equivalent of a business dominant in that field of operation.

4. "Socially or economically disadvantaged person" means a person who has been deprived of the opportunity to develop and maintain a competitive position in the economy because of any of the following circumstances:

a. Cultural, social, or economic circumstances or background.

b. Physical location if the person resides or is employed in an area declared a labor surplus area by the United States department of commerce.

c. Other similar cause as defined by rules adopted by the director pursuant to chapter 17A.

Sec. 203. NEW SECTION. 18.172 PROCUREMENT FROM FEMALE AND MINORITY SMALL BUSINESSES.

1. FEMALE AND MINORITY SMALL BUSINESS SET-ASIDES. Notwithstanding section 18.6, the director may designate and set aside for awarding to small businesses owned and operated by females and socially or economically disadvantaged persons approximately five percent of the value of anticipated total state procurement of goods and services, including construction, but not including utility services pursuant to section 18.8, each fiscal year. The director may divide the procurements so designated into contract award units of economically feasible production runs to facilitate offers or bids from these small businesses. In designating set-aside procurements, the director may vary the included procurements so that a variety of goods and services produced by different small businesses may be set aside each year.

2. **NEGOTIATED PRICE OR BID CONTRACT.** The director may use either a negotiated price or bid contract procedure in the awarding of a contract under this set-aside program. The amount of an award shall not exceed by more than five percent the director's estimated price for the goods or services, if they were to be purchased on the open market or under the competitive bidding procedures of section 18.6, and not under this set-aside program. Surety bonds guaranteed by the federal small business administration are acceptable security for a construction award under this section.

3. **DETERMINATION OF ABILITY TO PERFORM.** Before announcing a set-aside award, the director shall evaluate whether the small business scheduled to receive the award is able to perform the set-aside contract. This determination shall include consideration of production and financial capacity and technical competence.

4. **PROCUREMENT PROCEDURES.** All laws and rules pertaining to solicitations, bid evaluations, contract awards, and other procurement matters apply to procurements set aside for small businesses to the extent there is no conflict. If sections 18.171 through 18.175 conflict with other laws or rules, then sections 18.171 through 18.175 govern.

Sec. 204. **NEW SECTION. 18.173 ROLE OF DEVELOPMENT COMMISSION.**

The director of general services may assist the director of the Iowa development commission in publicizing the set-aside program, attempting to locate small businesses able to perform set-aside awards, and encouraging program participation. When the director of general services determines that a female or minority business is unable to perform under a set-aside contract, the director of general services shall inform the director of the Iowa development commission who shall assist the small business in attempting to remedy the causes of the inability to perform. In assisting the small business, the director of the Iowa development commission in cooperation with the director of general services may use any management or financial assistance programs available through state or governmental agencies or private sources. Primary responsibility under this section rests with the director of the Iowa development commission.

Sec. 205. **NEW SECTION. 18.174 CERTIFICATION.**

The director shall adopt by rule standards and procedures for certifying that small businesses owned and operated by females and socially or economically disadvantaged persons are eligible to participate in the set-aside program. The procedure for determination of eligibility may include self-certification by a business, provided the director retains the ability to verify a self-certification. The director of general services shall maintain a current directory of small businesses which have been certified under this section.

Sec. 206. **NEW SECTION. 18.175 REPORTS.**

1. **DIRECTOR OF GENERAL SERVICES.** The director of general services shall submit an annual report to the governor and the general assembly with a copy to the director of the Iowa development commission relating progress towards realizing the objectives and goals of sections 18.171 through 18.174 during the preceding fiscal year. The report shall include the following information:

a. The total dollar value and number of potential set-aside awards identified and the percentage of total state procurements this figure reflects.

b. The total dollar value and number of set-aside contracts awarded to small businesses owned and operated by females and economically or socially disadvantaged persons with appropriate designation as to the total number and value of set-aside contracts awarded to each small business, and the percentages of the total state procurements the figures of total dollar value and the number of set-asides reflect.

c. The number of contracts which were designated and set aside pursuant to section 18.172, but which were not awarded to a small business, the estimated total dollar value of these awards, the lowest offer or bid on each of these awards made by the small business and the price at which these contracts were awarded pursuant to the normal procurement procedures.

2. **DIRECTOR OF THE IOWA DEVELOPMENT COMMISSION.** The director of the Iowa Development Commission shall submit an annual report to the governor and the general assembly with a copy to the director of general services. The report shall include the following information:

a. The efforts undertaken to publicize the set-aside program during the preceding year.

b. The efforts undertaken to identify small businesses owned and operated by females and socially or economically disadvantaged persons, and the efforts undertaken to encourage participation in the set-aside program.

c. The efforts undertaken by the director to remedy the inability of these small businesses to perform on potential set-aside awards.

d. The director's recommendations for strengthening the set-aside program and delivery of services to these small businesses.

Sec. 207. Section 28.7, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. Aid in the set aside of procurements for small businesses owned and operated by females and economically or socially disadvantaged persons pursuant to sections 18.171 to 18.175.

DIVISION III

Sec. 301.

1. The treasurer of state shall, for the fiscal year beginning July 1, 1985 and ending June 30, 1986, make allotments of the moneys within the Iowa plan fund for economic development created in section 99E.10 to separate accounts within that fund as follows:

a. The first eleven million ninety-two thousand dollars to the "Jobs Now Capitals" account.

b. After the allotment in paragraph "a", ten million dollars to the "Community Economic Betterment" account, eight million five hundred thousand dollars to the "Jobs Now" account, and twelve million five hundred thousand dollars to the "Education and Agriculture Research and Development" account.

c. After the allotments have been made under paragraphs "a" and "b", the excess is allotted equally to the community economic betterment account and to the "Surplus" account.

d. Before the treasurer makes the allotments under paragraphs "a", "b", and "c", the treasurer shall repay to the general fund the loan for start-up purposes of the Iowa lottery, shall repay to the general fund the sum of one million twenty thousand dollars which was appropriated for the fiscal year beginning July 1, 1985 from the general fund to the department of general services for capitol building restoration and major repairs, and shall repay to the general fund the sum of five million two hundred fifty thousand dollars which was appropriated for the fiscal period beginning July 1, 1985 and ending June 30, 1989 from the general fund to the department of general services for the engineering, planning and construction of a new state historical building under 1984 Iowa Acts, chapter 1316, section 4.

2. There is appropriated from the allotment made to the community economic betterment account under subsection 1 for the fiscal year beginning July 1, 1985 and ending June 30, 1986 to the Iowa development commission the amount in that account, or so much thereof as may be necessary, to be used for the following purposes:

a. Principal buy-down program to reduce the principal of a business loan.

b. Interest buy-down program to reduce the interest on a business loan.

c. Grants and loans to aid in economic development.

d. Site development or infrastructure costs directly related to a project resulting in new employment.

e. Road construction projects.

Only a political subdivision of the state may apply to receive funds for any of the above purposes. The political subdivision shall make application to the commission specifying the purpose for which the funds will be used. In ranking applications for funds, the commission shall consider the proportion of political subdivision match to be provided, the proportion of private contributions to be provided, the total number of jobs to be created, the recapture, if any, of these funds by the political subdivision that will occur, level of need in the political subdivision, and impact of proposed project on the economy of the political subdivision. The commission shall not provide more than one million dollars for any project, unless at least two thirds of the members of the commission vote for providing more. However, after the first ten million dollars in the community economic betterment account have been provided to political subdivisions, the amount that may be provided by the commission for a project from additional moneys credited to that account is not subject to the one million dollar limitation.

An eligible road construction project is one involving highway improvements which support and assist economic development.

The commission shall take applications from state, city, or county government entities for road construction projects. The commission shall prioritize the projects and determine which projects shall be funded. However, the approval of the department of transportation is necessary for planning, design, construction and maintenance and other activities as provided in section 307.24. The commission shall make the final selection of which projects will be funded. Matching funds on a dollar-for-dollar basis for each project funded shall be required. The source of the matching funds shall be determined by the type of project. Thus a match from the primary road fund is required for a project involving a primary road. The department of transportation does not have the right to reject a project for which a match of primary road funds is required. If the department of transportation disapproves of a project for which a match of primary road funds is required, the reasons shall be supplied to the applicant and commission. But the commission may still approve such project, and once approved, matching funds are to be provided.

In prioritizing the road construction projects and determining which shall be funded, the commission shall consider the economic benefits of the project to the local community and the state as a whole, including but not limited to the number of direct and indirect jobs created.

3. There is appropriated from the allotment made to the jobs now account under subsection 1 for the fiscal year beginning July 1, 1985 and ending June 30, 1986 to the following funds, agencies, boards or commissions the following amounts, or so much thereof as may be necessary, to be used for the following purposes:

a. To the state conservation commission the sum of two million five hundred thousand (2,500,000) dollars for the development of parks, recreation areas, forest, fish and wildlife areas, and natural areas, and for related technical services for carrying out these projects. Not more than five hundred thousand (500,000) dollars shall be set aside to match private funds available for the acquisition of natural areas with unique or unusual features. Not more than four hundred thousand (400,000) dollars shall be set aside for the acquisition of land for expansion or development of state forests and state fish and wildlife areas. Not more than seven hundred fifty thousand (750,000) dollars shall be set aside for use in providing grants-in-aid to county conservation boards for carrying out acquisition and

development projects as provided in chapter 111A. Any of the above funds can be matched with any available federal funds or with any available federal or local funds in the case of grants-in-aid to county conservation boards.

b. To the energy policy council the sum of one hundred fifty thousand (150,000) dollars to provide for energy management auditing services and administrative costs associated with the establishment of lease-purchase conservation projects for state buildings. The appropriation under this paragraph is contingent upon the passage and enactment into law of Senate File 303.

c. To the Iowa product development fund the sum of two million (2,000,000) dollars for the purposes provided in section 28.89.

d. To the office for planning and programming the sum of one million (1,000,000) dollars for additional and supplemental funding for the child care services program and the displaced homemakers program in connection and coordination with the federal Job Training Partnership Act of 1982 and funding for a child care grants program to provide grants of up to ten thousand dollars for start-up funding for before and after school programs using school facilities, infant care programs, child care information and referral centers, and on-site employer day care. An application for a grant under the child care grants program shall include a study documenting a need for the service or program for which the grant is sought and a plan for implementation of the service or program which plan includes a listing of other sources of income, the staff to be employed, and the method to make the service or program self-supporting within three years.

e. To the office for planning and programming the sum of two hundred fifty thousand (250,000) dollars for the purposes of the community cultural grants program established under 1983 Iowa Acts, chapter 207, section 92.

f. To the Iowa development commission the sum of two million six hundred thousand (2,600,000) dollars for the purposes designated as follows:

- (1) Business incubators.
- (2) Satellite centers under division VI of this Act.
- (3) Federal procurement offices.
- (4) Tourism and marketing.
- (5) Iowa main street program.

4. There is appropriated from the allotment made to the education and agriculture research and development account under subsection 1 for the fiscal year beginning July 1, 1985 and ending June 30, 1986 to the following funds, agencies, boards or commissions the following amounts, or so much thereof as may be necessary, to be used for the following purposes:

a. To the Iowa college aid commission the sum of seven hundred fifty thousand (750,000) dollars for the forgivable loan program established in division VII of this Act. However, funds shall not be transferred to the college aid commission until the college aid commission certifies to the treasurer of state that the association of private colleges and universities and the board of regents will provide an equivalent amount of seven hundred fifty thousand (750,000) dollars for the forgivable loan program for the same fiscal year.

b. To the Iowa development commission the sum of three hundred thousand (300,000) dollars to develop and administer programs to encourage foreign trade. Prior to providing funds for any activity under this paragraph the Iowa development commission shall seek the input of public and private institutions of higher education, relevant government agencies, boards and departments, and private sector businesses involved in foreign trade for the purpose of coordinating trade related resources already available and those created pursuant to

this Act in Iowa higher education institutions. The commission shall also, after seeking input from these entities, initiate the development of trade related curricula and curricula to support potential growth sectors and develop new programs to provide trade assistance to small and medium-sized Iowa businesses including, but not limited to, those created under this paragraph. The commission shall work with Iowa businesses engaged in foreign trade and public and private institutions of higher education to create a comprehensive plan designed to promote and develop the trade of Iowa's agricultural and manufactured products and services in foreign markets and shall coordinate the plan with other public and private foreign trade efforts including those created pursuant to this Act. The Iowa development commission shall require, where feasible, that recipients of moneys appropriated in this section certify to the Iowa development commission that they will provide contributions, either in-kind or financial, equal to up to fifty percent of the moneys the recipient will receive under this section. The programs are as follows:

(1) To establish internships with Iowa businesses involved in foreign trade, with foreign businesses, with foreign governments, and with the Iowa development commission. A student who is enrolled in an Iowa institution of higher education in a course of study that could involve the student in foreign trade is eligible to apply for an internship. College credit will be given in a manner determined by the institution of enrollment. Money granted for internships shall be used for travel expenses and a stipend for the interns.

(2) To establish a program in which professors employed at Iowa institutions of higher education who are familiar with the language and customs of foreign countries are utilized as cultural advisors for the Iowa development commission and for Iowa businesses participating in trade missions and other foreign trade activities.

(3) To establish a program of short courses useful to assist Iowans in developing skills needed to participate in foreign trade, including but not limited to courses in foreign language, foreign culture and business practices, and foreign trade strategies. The short courses shall be developed in cooperation with Iowa institutions of higher education.

(4) To develop a data base of information useful in foreign trade.

(5) To establish a clearinghouse listing of state residents who have political, social, or business contacts in foreign countries.

(6) To provide assistance in foreign language translation for correspondence and other purposes.

(7) To establish a program for conducting a business risk analysis for Iowa businesses seeking markets in foreign countries. Iowa businesses would file requests for the risk analysis with the Iowa development commission. The Iowa development commission shall contract with an Iowa higher education institution for an analysis of conditions in a specific foreign country as requested by an Iowa business, including but not limited to, rate of exchange projections for the currency, political climate, cultural mores relating to business etiquette, market climate, and assessment of the political and social status of the business' personal contacts.

c. To the state board of regents the sum of two hundred thousand (200,000) dollars to be used by the agricultural experiment station at Iowa state university of science and technology for value added research.

d. To the Iowa development commission the sum of ten million (10,000,000) dollars to be allocated by the Iowa development commission for economic development and research and development purposes at an institution of higher education under the control of the state board of regents or at an independent college or university of the state. The institutions

under control of the state board of regents may present proposals to the state board of regents for the use of the funds. The proposals may include, but are not limited to, endowing faculty chairs, conducting studies and research, establishing centers, purchasing equipment, and constructing facilities in the areas of entrepreneurial studies, foreign language translation and interpretation, management development, genetics, molecular biology, laser science and engineering, biotechnology, third crop development, and value-added projects. The proposals shall include certification from the institution, college or university that it will receive from other sources an amount equal to the amount requested in the proposal. The state board of regents shall, for institutions under its control, determine the specific proposals for which it requests funding and submit them to the Iowa development commission. An independent college or university shall submit requests directly to the Iowa development commission. The Iowa development commission shall disburse to the regents' institutions or an independent college or university the moneys for the various proposals requested unless the Iowa development commission disapproves of a specific proposal as inconsistent with the plan for economic development for this state. The applicants may submit additional proposals for those not approved by the Iowa development commission.

e. To the state board of regents the sum of two hundred thousand (200,000) dollars to be used by Iowa state university for the establishment of Iowa farm management program. The cooperative extension service shall administer the program with provisions for cooperation and assistance through the department of public instruction. The program may be offered in conjunction with programs offered at the merged area schools and at school districts. The cooperative extension service may allocate moneys appropriated in this section for the program to area schools and school districts participating in the program. The cooperative extension service may accept gifts from other sources to supplement moneys appropriated in this section.

f. To the legislative council the sum of fifty thousand (50,000) dollars to be used by the alternative crops and livestock study committee created in this paragraph. There is established a twelve-member alternative crops and livestock study committee to study the feasibility of alternative crops and livestock enterprises. The members shall consist of three farmers, three representatives from the agriculture industry, two faculty members from the Iowa state university and four members of the general assembly. The majority and minority leaders of the senate shall each appoint two nonlegislative members and one legislative member from the senate and the speaker and minority leader of the house of representatives shall each appoint two nonlegislative members and one legislative member from the house. The appointers shall consult with each other before making their appointments to ensure the requirements of the makeup of the committee are met. Nonlegislative members shall receive a per diem of forty dollars and be reimbursed for their travel and other necessary expenses actually incurred in the performance of their official duties. Legislative members shall receive, when the general assembly is not in session, a per diem of forty dollars and their travel and other expenses incurred in the performance of their official duties from funds appropriated by section 2.12. The committee shall submit its final report along with any recommendations to the legislative council by January 1, 1986.

g. To the Iowa college aid commission for the summer institute program established pursuant to this paragraph the sum of one million (1,000,000) dollars. Institutions of higher education in the state may submit proposals to the council for postsecondary education for eight-week summer institute programs to upgrade the skills of Iowa teachers in the subject areas of math, science, foreign languages and such other areas as the department of public instruction has indicated a teaching shortage exists. The proposals shall provide for the institutional

reimbursement for the costs of instruction, materials, and room and board for the participants as well as for a weekly stipend of one hundred fifty dollars per week for each participant. The council for postsecondary education shall select the institutions at which the summer institutes shall be conducted. The council for postsecondary education in consultation with the Iowa college aid commission shall establish the criteria for the selection of the teachers to participate in the programs.

5. There is appropriated from the allotment made to the jobs now capitals account under subsection 1 for the fiscal year beginning July 1, 1985 and ending June 30, 1986 to the following council, office, and departments the following amounts, or so much thereof as may be necessary, to be used for the following purposes:

a. To the executive council for allocation to the nonprofit corporation organized to facilitate the state's involvement in the Iowa world trade center pursuant to division V of this Act the sum of nine million two hundred fifty thousand (9,250,000) dollars to fund the construction of the state-owned portion of the Iowa world trade center as provided in division V of this Act.

b. To the department of public defense the sum of two hundred forty-three thousand thirty-five (243,035) dollars for the architect, engineering, equipment and construction of the armory in Carroll.

c. To the department of public defense for the purposes and in the amounts designated as follows:

(1) To connect the armory in Cedar Rapids to the city water and sewer lines and for related architect and engineering services the sum of two hundred thirty-four thousand three hundred thirty-five (234,335) dollars.

(2) For the architect, engineering, equipment and construction of an addition to the armory in Cedar Rapids the sum of two hundred sixty-four thousand sixty-four (264,064) dollars.

d. To the department of public instruction the sum of one million (1,000,000) dollars to be allocated to the merged area schools filing requests with the department for the purchase of equipment. The department of public instruction shall allocate moneys to an area school based upon the ability of the area school to provide matching contributions, either in-kind or financial, and the potential for creation of jobs and economic development. The maximum grant to an area school shall not exceed two hundred fifty thousand (250,000) dollars.

e. To the office of the governor the sum of one hundred thousand (100,000) dollars or so much as may be needed for a feasibility study of costs and benefits of a joint telecommunications partnership to be entered into between the state and private firms. The study shall be contracted out to a private firm in the state which is experienced in telecommunications and which has the capability to analyze the technical and economic potential and feasibility of a telecommunications satellite and fiber optics system with state and worldwide capability. The study shall be developed to insure input from the telephone, banking, insurance, television, and other business sectors in the state as well as from the educational community.

6. If the moneys to be allotted to the economic betterment account, jobs now account or education and agriculture research and development account are less than the amount specified in subsection 1, paragraph "b", the moneys appropriated to the funds, agencies, boards or commissions for the purposes specified in subsection 2, 3 or 4, as applicable, shall be reduced by the same percentage decrease in the appropriate allotment.

7. The moneys appropriated in subsections 2, 3, 4 and 5 shall remain in the appropriate account of the Iowa plan fund until such time as the agency, board, commission, or overseer of the fund to which moneys are appropriated has made a request to the treasurer for use of moneys appropriated to it and the amount needed for that use. The treasurer shall withdraw this amount from the amount appropriated to that entity and remit it to the entity not earlier than thirty days after receipt of the request. Notwithstanding section 8.33, moneys remaining of the appropriations made from any of the accounts within the Iowa plan fund on June 30, 1986 shall not revert to any fund but shall remain in that account to be used for the purposes for which they were appropriated and the moneys remaining in that account shall not be considered in making the allotments for the next fiscal year.

8. The agency, board, commission, or overseer of the fund to which moneys are appropriated under this section shall make every effort to maximize the impact of these moneys through government and private matching funds.

Sec. 302.

1. The treasurer of state shall, for the fiscal years beginning July 1, 1986, July 1, 1987, July 1, 1988, and July 1, 1989, make allotments of the moneys within the Iowa plan fund for economic development created in section 99E.10 to separate accounts within that fund as follows:

a. In each of the fiscal years beginning July 1, 1986 and July 1, 1987 the first ten million two hundred fifty thousand dollars, in the fiscal year beginning July 1, 1988 the first three million two hundred fifty thousand dollars and in the fiscal year beginning July 1, 1989 the first one million dollars to the jobs now capitals account.

b. In each of the four fiscal years after the allotment in paragraph "a", ten million dollars to the community economic betterment account, eight million five hundred thousand dollars to the jobs now account, and twelve million five hundred thousand dollars to the education and agriculture research and development account.

c. After the allotments have been made under paragraphs "a" and "b" in each of the fiscal years, the excess is allotted equally to the community economic betterment account and to the "Surplus" account.

2. There is appropriated moneys in the community economic betterment account for each of the fiscal years beginning July 1, 1986, July 1, 1987, July 1, 1988, and July 1, 1989 to the Iowa development commission to be used for the following purposes in the amounts, or so much thereof as may be necessary, as provided in section 303 of this Act:

a. Principal buy-down program to reduce the principal of a business loan.

b. Interest buy-down program to reduce the interest on a business loan.

c. Grants and loans to aid in economic development.

d. Site development or infrastructure costs directly related to a project resulting in new employment.

e. Road construction projects.

The conditions, criteria and limitations specified in section 301, subsection 2 of this Act applies to the providing of moneys under this subsection.

3. There is appropriated moneys in the jobs now account for each of the fiscal years beginning July 1, 1986, July 1, 1987, July 1, 1988, and July 1, 1989 to the following funds, agencies, boards or commissions in the amounts, or so much thereof as may be necessary, as provided in section 303 of this Act to be used for the following purposes:

a. To the state conservation commission for the purposes designated in section 301, subsection 3, paragraph "a" of this Act.

b. To the Iowa product development fund for the purposes provided in section 28.89.

c. To the office for planning and programming for the purposes designated in section 301, subsection 3, paragraphs "d" and "e" of this Act.

d. To the Iowa development commission for the purposes designated in section 301, subsection 3, paragraph "f" of this Act.

4. There is appropriated moneys in the education and agriculture research and development account for each of the fiscal years beginning July 1, 1986, July 1, 1987, July 1, 1988, and July 1, 1989 to the following funds, agencies, boards or commissions in the amounts, or so much thereof as may be necessary, as provided in section 303 of this Act to be used for the following purposes:

a. To the Iowa college aid commission for the forgivable loan program established in division VII of this Act.

b. To the Iowa development commission for the purposes and under the conditions specified in section 301, subsection 4, paragraphs "b" and "d" of this Act.

c. To the state board of regents for the purposes and under the conditions specified in section 301, subsection 4, paragraph "e" of this Act.

d. To the Iowa college aid commission for the purposes and under the conditions specified in section 301, subsection 4, paragraph "g" of this Act.

5. a. There is appropriated from the allotment made to the jobs now capitals account under subsection 1 for the fiscal years beginning July 1, 1986, July 1, 1987 and July 1, 1988 to the executive council for allocation to the nonprofit corporation organized to facilitate the state's involvement in the Iowa world trade center pursuant to division V of this Act the sum of nine million two hundred fifty thousand (9,250,000) dollars for each of the fiscal years beginning July 1, 1986 and July 1, 1987 and the sum of two million two hundred fifty thousand (2,250,000) dollars for the fiscal year beginning July 1, 1988 to fund the construction of the state-owned portion of the Iowa world trade center as provided in division V of this Act.

b. There is appropriated from the allotment made to the jobs now capitals account under subsection 1 for each of the fiscal years beginning July 1, 1986, July 1, 1987, July 1, 1988 and July 1, 1989 to the department of public instruction the sum of one million (1,000,000) dollars for the purposes and under the conditions specified in section 301, subsection 5, paragraph "d" of this Act.

6. If the moneys to be allotted in a fiscal year to the community economic betterment account, jobs now account or education and agriculture research and development account is less than the amount specified for that fiscal year in subsection 1, paragraph "b" the moneys appropriated for that fiscal year to the funds, agencies, boards or commissions for the purposes specified in subsection 2, 3 or 4, as applicable, shall be reduced by the same percentage decrease in the appropriate allotment.

7. The moneys appropriated in subsections 2, 3, 4 and 5 shall remain in the appropriate account of the Iowa plan fund until such time as the agency, board, commission, or overseer of the fund to which moneys are appropriated has made a request to the treasurer for use of moneys appropriated to it and the amount needed for that use. The treasurer shall withdraw this amount from the amount appropriated to that entity and remit it to the entity not earlier than thirty days after receipt of the request. Notwithstanding section 8.33, moneys remaining of the appropriations made for a fiscal year from any of the accounts within the Iowa plan fund on June 30 of that fiscal year, shall not revert to any fund but shall remain in that account to be used for the purposes for which they were appropriated and the moneys remaining in that account shall not be considered in making the allotments for the next fiscal year.

8. The agency, board, commission, or overseer of the fund to which moneys are appropriated under this section shall make every effort to maximize the impact of these moneys through government and private matching funds.

Sec. 303. For each of the fiscal years beginning July 1, 1986, July 1, 1987, July 1, 1988, and July 1, 1989, the Iowa partnership for economic progress advisory committee established under division IV of this Act shall submit to the general assembly by March 1 preceding the beginning of the fiscal year planned expenditures from the allotment to be made for that fiscal year to the community economic betterment account, the jobs now account, and the education and agriculture research and development account to each of the funds, agencies, boards or commissions for the purposes specified in subsections 2, 3, and 4 of section 302 of this Act. The Iowa partnership for economic progress shall include a description of planned expenditures to be made of the moneys in the surplus account.

Plans may provide for increased or decreased expenditures if the allotment available for those appropriations is greater than or less than the allotment specified in subsection 1 of section 302 of this Act. In order to enable the Iowa partnership for economic progress to prepare its plans for future expenditures, it has authority to review applications and uses of the moneys appropriated from each allotment. However, this authorized review does not authorize the Iowa partnership for economic progress to veto or deny any application or use and such review shall not cause any delay in the approval of an application or use.

DIVISION IV

***Sec. 401. NEW SECTION. TITLE.**

This chapter may be cited as the "Economic Development Reorganization Act".

Sec. 402. NEW SECTION. DEFINITIONS.

As used in this chapter, unless the context otherwise requires:

1. "Commission" means the Iowa development commission.
2. "Committee" or "advisory committee" means the Iowa partnership for economic progress advisory committee, established in section 405 of this Act.
3. "Programs and services" means economic development programs, services and agencies as described in section 403 of this Act.

Sec. 403. NEW SECTION. GOVERNOR'S REORGANIZATION PLAN.*

By December 1, 1985, the governor shall submit to the general assembly a proposal for the reorganization and coordination of all state economic development programs and services under one comprehensive department of economic development. *In the course of developing the reorganization plan, the governor shall consult with the advisory committee. For purposes of this chapter, economic development programs and services shall include, but are not limited to, those which provide one or more of the following:

- a. Community development.
- b. Planning and management assistance.
- c. Technical assistance.
- d. Education and job training.
- e. Financial assistance for programs and services described in paragraphs "a" through "d" and other programs and services, including those that are federally funded but administered by the state, and other federal and local funding programs.

*Item veto; see message at end of the Act

Sec. 404. NEW SECTION. INTERIM COORDINATING AGENCY.

Upon enactment of this chapter, and until the establishment of a central department of economic development, the Iowa development commission shall be the interim coordinating agency for federal, state and local economic development programs and services. The commission shall adopt, amend, and repeal rules under chapter 17A as it deems necessary to function as the interim coordinating agency. Statewide delivery of programs and services, except for programs and services under the federal Job Training Partnership Act of 1982, shall be accomplished through a network of fifteen subregions which shall correspond to the merged areas as defined in section 280A.2 and which are already in existence.

Sec. 405. NEW SECTION. ADVISORY COMMITTEE ESTABLISHED.

The Iowa partnership for economic progress is established to serve as an advisory committee to the commission pending the creation of a department of economic development, at which time the committee will act as an advisory body to the new department. The commission, and ultimately the department of economic development, shall provide the committee with administrative staff personnel in accordance with chapter 19A, and shall provide other assistance as necessary.

Sec. 406. NEW SECTION. COMPOSITION OF ADVISORY COMMITTEE.

1. The committee shall consist of thirteen members appointed by the governor subject to confirmation by the senate. Members shall be appointed for four-year terms beginning and ending in accordance with section 69.19.

2. Members shall be appointed from agriculture, local government, business, labor and education as follows:

a. Two members actively engaged in farming. Appointments may be made from lists of nominees which shall be submitted by agricultural associations representing at least twenty-five members.

b. Six members from business, including one representative from small business, one representative from insurance and one representative from agribusiness. Appointees shall be an owner, president, chief executive officer, board member or other senior officer of the firm or organization they represent. Appointments may be made from lists of nominees which shall be submitted by business, trade or industrial associations representing at least twenty-five members.

c. Two members from organized labor. Appointments may be made from lists of nominees which shall be submitted by any organizations authorized to bargain on behalf of people employed in this state.

d. Two members from education. Appointments may be made from lists of nominees which shall be submitted by the board of regents, the association of independent colleges and universities, or the association of community college trustees.

e. One member from local government. Appointment may be made from lists of nominees which shall be submitted by the Iowa state association of counties and the league of municipalities.

f. Each list of nominees submitted shall contain an equal number of females and males.

Sec. 407. NEW SECTION. ADVISORY COMMITTEE DUTIES.

1. The committee's duties and responsibilities shall include, but are not limited to the following:

a. To provide assistance as needed or requested by the governor in the development of the governor's proposal for economic development reorganization and coordination. In order to

facilitate the committee's assistance of the governor's office, all economic development agencies and programs shall submit reorganization and coordination proposals and recommendations to the committee within six months of the effective date of this chapter.

b. To submit plans to the general assembly relative to the disbursement of lottery revenues pursuant to division III of this Act.

c. To collaborate with the commission on the review of all disbursements of lottery revenues.

d. To assist the commission in the development and administration of a statewide regional delivery network for programs and services.

e. To review, coordinate and implement other economic development proposals that emerge from studies now underway or recently completed.

f. To assist in the coordination of federal, state, local and private sector programs and services.

g. To analyze, at regular and frequent intervals, the trends and growth opportunities in major sectors of the economy, particularly those represented in the Iowa economy.

h. To analyze, at regular and frequent intervals, the general economic, demographic, state fiscal and business climate indicators that define Iowa's position relative to regional and national trends.

i. To initiate special economic development studies as deemed necessary.

Sec. 408. NEW SECTION. ORGANIZATION OF ADVISORY COMMITTEE.

The committee shall annually elect from its membership a chairperson and shall adopt rules to govern its proceedings. Election of the chairperson shall be held at the committee's first meeting in each calendar year. The committee shall meet at least once a month and otherwise as often as necessary. Members shall be compensated for their actual and necessary expenses incurred in the performance of their duties in accordance with section 28.2. All per diem and expense moneys paid to the members shall be paid from funds appropriated to the commission.

Sec. 409. Notwithstanding the provisions of section 406 of this Act, of the initial appointees to the committee three members shall be appointed for one-year terms, three members shall be appointed for two-year terms, three members shall be appointed for three-year terms, and four members shall be appointed for four-year terms. The initial appointees' successors shall be appointed to terms of four years each except that a person chosen to fill a vacancy shall be appointed only for the unexpired term of the committee member replaced.*

DIVISION V

Sec. 501. NEW SECTION. 18C.1 DECLARATION OF POLICY AND PURPOSE FOR STATE INVOLVEMENT IN IOWA WORLD TRADE CENTER.

It is found and declared that there exists a need to promote, develop, maintain, and expand export and trade opportunities for agricultural, commercial, and manufactured products and services and any other products and services of the state in order to protect and advance the welfare and interests of residents of the state; that such export and trade opportunities with other nations can be promoted, developed, maintained, and expanded by the Iowa world trade center; that jobs can be maintained and created in the state as a result of increased export and trade opportunities; and that such economic results will benefit all residents of the state.

*Item veto; see message at end of this Act

It is further found and declared that the promotion, development, maintenance, and expansion of exports and trade opportunities are public purposes and uses for which public moneys may be expended, advanced, loaned, or granted; that such activities serve a public purpose in improving export and trade opportunities or otherwise benefiting the people of this state; and that the state's purchase, operation and marketing of a building or facility as part of a world trade center will aid in accomplishing these purposes.

Sec. 502. NEW SECTION. 18C.2 CREATION OF SELECTION ADVISORY COMMITTEE.

1. There is created an Iowa world trade center selection advisory committee, hereafter referred to as "the committee". The committee shall be comprised of five members with one member appointed by the governor, one member appointed by the speaker of the house of representatives, one member appointed by the minority leader of the house of representatives, one member appointed by the majority leader of the senate, and one member appointed by the minority leader of the senate. No two members shall be from the same congressional district. Vacancies shall be filled in the same manner as the appointment of the original members. Members shall not be compensated for their services.

2. The committee shall elect from among its members a chairperson. Meetings shall be held at the call of the chairperson or whenever two committee members request it. Three members shall constitute a quorum and the affirmative vote of three members shall be necessary for any action taken by the committee.

Sec. 503. NEW SECTION. 18C.3 DUTIES OF THE COMMITTEE.

1. It shall be the duty of the Iowa world trade center selection advisory committee to accept and review proposals from private groups to organize, construct, operate, and market the Iowa world trade center. In submitting a proposal, the private group shall also submit a study outlining the feasibility of its proposal. A private group submitting a proposal must include among its investors a significant number of Iowa-based companies and individuals. The committee is empowered to contract for an independent analysis of a proposal submitted. The committee is empowered to recommend for ratification by the executive council a proposal to obligate, but not in excess of thirty million dollars, the state in the construction of the Iowa world trade center under the recommended proposal. However, a proposal shall not be recommended unless the proposal provides that the private group shall provide moneys at least equal to the amount which the committee has recommended for obligation by the state. The proposal recommended by the committee must include an agreement from the private group that construction of the Iowa world trade center will begin no later than December 15, 1985, and that a nonprofit corporation will be created by the private group pursuant to section 18C.4 to facilitate the state's involvement in the construction, operation, and marketing of the Iowa world trade center. In approving a proposal of a private group, the committee may employ other selection criteria that are consistent with the above standards. Once the committee has recommended a contract proposal, it shall be submitted for ratification to the executive council. The committee shall present a proposal by August 1, 1985 for ratification by the executive council.

2. The committee shall cease to exist upon ratification of the contract submitted to the executive council.

3. The members of the committee, upon ratification of the contract by the executive council, shall automatically become the state's representatives on the board of directors of the nonprofit corporation organized to facilitate the state's involvement in the Iowa world trade center pursuant to section 18C.4.

Sec. 504. NEW SECTION. 18C.4 STATE PARTICIPATION IN THE WORLD TRADE CENTER.

1. The state recognizes the nonprofit corporation organized pursuant to the contract ratified by the executive council as the entity that will facilitate the state's involvement in the construction, operation and marketing of the Iowa world trade center. The board of directors of the nonprofit corporation shall consist of nine members.

2. State representation on the nonprofit corporation's board of directors shall consist of five directors serving six-year terms. The initial directors shall be the five members appointed to the committee pursuant to section 18C.2. Vacancies shall be filled in the same manner as the appointment of the original directors.

3. Private representation on the nonprofit corporation's board of directors shall consist of four directors chosen pursuant to the corporation's articles of incorporation.

4. Amendments to the nonprofit corporation's articles of incorporation relating to the governance of the corporation shall not be made without all of the following:

- a. A majority approval of the entire board of directors.
 - b. A majority approval of the five directors appointed to represent the state interests.
 - c. A majority approval by the four directors appointed to represent the private interests.
5. The nonprofit corporation shall:

a. Provide for the management, operation, and marketing of the state-owned portion of the Iowa world trade center. A fee may be negotiated which will be paid by the state for necessary services provided to or for the state-owned portion. The management, operation, and marketing may be done by entering into a service agreement with a management firm. If such an agreement is entered into, the board of directors shall require periodic reports from the firm on the operation, marketing, costs, and revenues of the state-owned portion.

b. Provide for the leasing of space in the state-owned portion to the extent space is available and the leasing of it will fulfill the purposes of the state's involvement in the Iowa world trade center.

c. Use, operate, and market the state-owned portion for the purposes of promoting, developing, maintaining, and expanding export and trade opportunities for agricultural, commercial, and manufactured products and services and other products and services of the state in order to protect and advance the welfare and interests of residents of the state.

6. The nonprofit corporation organized pursuant to the contract ratified by the executive council as the entity that will facilitate the state's involvement in the construction, operation, and marketing of the Iowa world trade center shall not be construed to be a state agency, board, commission, department, or other administrative unit of the state.

Sec. 505. Chapter 18, Code 1985, is amended by adding the following new section:

NEW SECTION. IOWA WORLD TRADE CENTER.

This chapter does not apply to the management, operation, and ownership of the Iowa world trade center.

Sec. 506. Section 422.45, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. The gross receipts of all sales of goods, wares, or merchandise used, or from services rendered, furnished or performed in the construction and equipping of the Iowa world trade center for that portion of the project funded by the state of Iowa as authorized in division V of this Act. This subsection is repealed November 30, 1989.

DIVISION VI

Sec. 601. Section 28.7, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. Establish, oversee, and operate, to the extent practicable, a centrally located marketing center as provided in section 28.101.

Sec. 602. Chapter 28, Code 1985, is amended by adding the following new section as a separate division:

NEW SECTION. 28.101 PRIMARY RESEARCH AND MARKETING CENTER.

1. The commission shall establish as soon as practicable a marketing center within the commission, to be known as "The Primary Research and Marketing Center for Business and International Trade". The purpose of this center is to provide, in a central location, an inventory of the products and services of Iowa businesses. This information is to provide Iowa businesses with a source for locating and contacting potential buyers of their products and services; to aid in opening new markets for Iowa businesses; and to provide a marketing center for new businesses to utilize within the state. The director of the commission is the executive director of the center and shall coordinate activities at the satellite centers. In operating and overseeing the primary research and marketing center for business and international trade, the duties and responsibilities of the commission include the following:

- a. Cataloging the products and services unique to economic development offered by and purchased by businesses located in the state.
- b. Developing a marketing plan to include a listing of target markets within the state, the United States, and international communities for specific products and services already available within the state and products and services which could be made available within the state.
- c. Stimulating research in and development and production of new products by state businesses.
- d. Marketing management which includes keeping abreast of the changing market demands, developing new approaches to tap potential markets, and financing.
- e. Assisting Iowa businesses to enter the international marketplace through the development of export sales strategies and the procurement of export financing, including the use of bartering transactions.
- f. Coordinating the satellite centers.
- g. Training for and coordination of a computer system to be used by this center and its satellite centers. Wherever practicable the commission shall work with educational institutions involved with either the primary research and marketing center for business and international trade or the satellite centers to develop methods and programs that will allow the involvement of students in the development of a computer cataloging system.
- h. Coordinating the delivery of programs and services with other state, local, and federal economic development programs and activities including, but not limited to, those available at institutions of higher learning in this state, the United States department of commerce, and other appropriate agencies.

2. To aid in fulfilling the purpose of the primary research and marketing center for business and international trade, the commission may provide grants to establish satellite centers throughout the state. To facilitate establishment of satellite centers, the state is divided up into fifteen regional economic delivery areas which have the same area boundaries as merged areas, as defined in section 280A.2, in existence on the effective date of this section. Each regional delivery area wishing to receive a grant from the commission to establish a satellite center in its area shall create a regional coordinating council which shall develop a plan for the area to coordinate all federal, state, and local economic development services within the area. After developing this plan, the council may seek a grant for a satellite center by submitting the coordinating plan and an application for a grant to the Iowa development commission. A grant shall not be awarded within the regional economic delivery area without the approval of the regional coordinating plan by the Iowa partnership for economic progress created in division IV of this Act. The Iowa partnership for economic progress may rescind its approval of a regional coordinating plan upon thirty days notice, if the Iowa partnership for

economic progress determines that the stated purpose of the plan is not being carried out. The Iowa partnership for economic progress may then accept an alternative proposal for a regional coordinating plan. If a regional coordinating council is awarded a grant for a satellite center, it shall employ a center director at the satellite center. The center director's duties and responsibilities include the following:

- a. Overseeing the center's computer system and computer data input including the entry of the cataloged products and services of businesses located in the area.
- b. Managing the center.
- c. Communicating with the primary research and marketing center for business and international trade.
- d. Coordinating local marketing activities and efforts of local business.
- e. Coordinating delivery of all federal, state, and local economic development programs and services within the area.
- f. Performing other duties and responsibilities assigned to the center by the primary center.

Each satellite center's duties and responsibilities involve conducting primary and secondary research or assisting local colleges, universities, and businesses in developing primary research programs. Primary and secondary research shall be used for analyzing changes in the marketplace, forecasting changes in consumer wants and needs, and possible modifications of products and services to meet the changes.

A regional coordinating council may enter into an agreement under chapter 28E with other regional coordinating councils for the purpose of fostering tourism within their areas. Regional coordinating councils shall be considered public agencies for purposes of chapter 28E.

The regional coordinating council of each regional economic delivery area shall consist of at least six members who shall be selected from state and local government, business, and education which are representative of the region. Beginning with the fiscal year beginning July 1, 1987, only applications from political subdivisions located within regions with an approved regional coordinating plan will be accepted for moneys from the community betterment account established in the Iowa plan fund for economic development in division III of this Act. A political subdivision shall submit a copy of the application to the regional coordinating council at the same time as the application is submitted to the Iowa development commission.

DIVISION VII

Sec. 701. NEW SECTION. 261.64 FORGIVABLE LOAN PROGRAM.

There is established a forgivable student loan program to be administered by the college aid commission. An individual is eligible for the reimbursement payments plan under the program if the individual meets all of the following conditions:

1. Is an Iowa resident student enrolled at an accredited private institution as defined in section 261.9, subsection 5 or at an institution under the control of the state board of regents.
2. Has filed an application for the loan with the college aid commission, using the procedures specified in section 261.16.
3. Meets the requirements for a tuition grant.

Sec. 702. NEW SECTION. 261.65 FORGIVABLE LOAN ADMINISTRATION.

The college aid commission shall administer the forgivable loan program in the same manner as specified in section 261.15 for the tuition grant program. The maximum loan that a student is eligible to receive is an amount equal to the maximum tuition grant awarded by the commission for the same fiscal year. A student is eligible to receive both a tuition grant and a

forgivable loan. The interest rate for the forgivable loan shall be equal to the interest rate being collected by an eligible lender under the Iowa guaranteed student loan program for the year in which the forgivable loan is made.

Sec. 703. NEW SECTION. 261.66 INTEREST AND PRINCIPAL PAYMENT.

A student receiving a forgivable loan under section 261.64 shall begin paying the annual cost of interest immediately following graduation on an annual basis for five years. If the student remains an Iowa resident and is employed in a teaching position in an area in which a teaching shortage exists, as determined by the department of public instruction, for five years immediately following graduation, the student is not responsible for payment of the principal amount of the loan and shall not pay interest on the loan. If the commission determines that the student does not meet the criteria for elimination of the principal and interest payments, the commission shall establish by rule a plan for repayment of the principal and interest over a ten-year period. If a student who is required to make the repayment does not make the required payments, the commission shall provide for collecting the payments.

There is created a forgivable loan repayment fund for deposit of payments made by the recipients. Payments made by the recipients of the loans shall be credited to the fund and may be used to make additional loans under the program. Moneys in the fund shall not revert to the general fund of the state at the close of a fiscal year.

Sec. 704. This Act, being deemed of immediate importance, takes effect from and after its publication in The Clinton Herald, a newspaper published in Clinton, Iowa, and in The Altoona Herald-Mitchellville Index, a newspaper published in Altoona, Iowa.

Approved April 18, 1985, except the item which I hereby disapprove and which is designated as Division IV, section 401, section 402, a portion of section 403 beginning on line 5, which is herein bracketed in ink and initialed by me, section 404, section 405, section 406, section 407, section 408, and section 409 which are bracketed in ink and initialed by me. This is delineated with my reasons for vetoing in the item veto message pertaining to this Act to the Speaker of the House of Representatives this same date, a copy of which is attached hereto.



TERRY E. BRANSTAD
Governor

I hereby certify that the foregoing Act and Governor Terry E. Branstad's item veto message were published in The Clinton Herald, Clinton, Iowa on May 1, 1985 and in The Altoona Herald-Mitchellville Index, Altoona, Iowa on May 2, 1985.

MARY JANE ODELL, *Secretary of State*

The Honorable Donald D. Avenson
Speaker of the House
State Capitol Building
L O C A L

Dear Speaker Avenson:

I hereby transmit House File 225, an Act relating to economic development by creating a five-year state lottery, providing penalties, and providing revenues from the state lottery to be used for certain economic development programs and activities; providing for set-asides in state procurement contracts for small minority businesses; providing for the reorganization of state economic development programs and activities with the Iowa Development Commission acting as the interim coordinating agency for economic development until the new Department of Economic Development is created; creating an Iowa partnership for economic progress advisory committee to advise the Iowa Development Commission and the General Assembly on economic development matters and the uses to be made of the revenues from the state lottery; creating an Iowa World Trade Center selection advisory committee to accept proposals from private groups on the construction of the Iowa World Trade Center, to select from those proposals one proposal under which the state will purchase space in the Iowa World Trade Center, and to become part of the nonprofit corporation formed to operate, manage and lease this state-owned space; establishing a primary research and marketing center for business and international trade and satellite centers; creating a forgivable loan program for loans to students who remain residents of Iowa and are employed as a teacher under certain circumstances; making appropriations for economic development programs and activities; and providing an effective date.

House File 225 is approved April 18, 1985, with the following exception which I hereby disapprove.

I am unable to approve Division IV, Section 401, Section 402, a portion of Section 403 beginning on line 5, which I have designated on the bill, Section 404, Section 405, Section 406, Section 407, Section 408, and Section 409.

Division IV of House File 225 requires the Governor to submit to the General Assembly a proposal for the reorganization and coordination of all state economic development programs. I recognize the need to provide a better focus and coordination of our economic development effort in the state and I am hereby approving that portion of this Division which requires the development of a reorganization plan.

However, I believe that the Executive Branch should be given maximum flexibility in the development of such a plan. The above designated portions of Division IV which are item vetoed detail the areas to be included in an economic development reorganization plan and prescribe the process to be used in the development of this plan.

I believe the legislature has an appropriate role to provide advice to the Governor on the reorganization of the Executive Branch and to approve any statutory changes that may be required. However, I believe that the chief executive should be given the flexibility to develop a

plan that best suits the needs of the state. I plan to do just that and to submit that plan to the legislature on December 1 of this year, as required in House File 225.

In addition, this action will give this office the opportunity to review studies that are now being conducted on the organization of economic development efforts in the state. In fact, the Legislative Council has commissioned such a study by Garfield Swartz Associates, Inc. and I plan to review carefully the results of that study as I develop a plan.

The other disapproved portions of Division IV of House File 225 establish an advisory committee on economic development in Iowa. Several sections delineate the make-up of the advisory committee and the specific responsibilities of that committee.

After discussions with the legislative leaders, it is apparent that this advisory committee was designed to act as the Iowa Partnership for Economic Progress which I announced in my State of the State Message.

Over the past several months I have been developing this Partnership, consistent with the recommendations made by the Committee on Iowa's Future Growth. I plan to appoint such a Partnership in the near future and charge that group with developing a long-term strategy for Iowa's economic development. Since the organization of the Iowa Partnership is nearly complete, it is unnecessary for the legislature to statutorily create such a committee.

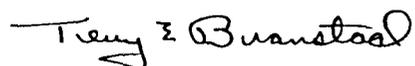
While I generally plan to follow the suggestions of the General Assembly in the composition of the Partnership Committee, I believe that the Executive Branch should have greater flexibility in the appointment and the direction of this committee. The Partnership Committee must forge a broad based consensus among those interested in economic development in Iowa and provide the framework in which we can analyze and implement needed economic development initiatives. The Partnership Committee I will soon appoint will do just that.

In short, I agree with the legislature's desire to provide better focus and reorganization to economic development efforts in the state. I plan to develop a reorganization plan which will accomplish those objectives and submit that plan to the General Assembly. I believe that the Executive Branch requires maximum flexibility to the development of that plan.

I also believe that this office requires flexibility in appointing and directing the Iowa Partnership for Economic Progress in order to develop a consensus and a strategy for economic development issues in the state of Iowa.

For the above reasons, I respectfully disapprove of these items in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items of House File 225 are hereby approved as of this date.

Very truly yours,



Terry E. Branstad
Governor