

March 14, 1963.
Place on Calendar.

House File 543 *Sub for*
By COMMITTEE ON INSTITUTIONS *S.F. 425*
OF HIGHER LEARNING. *4/15*

Passed House, Date *4-1-63*

Passed Senate, Date *4-16-63*

Vote: Ayes *92* Nays *0*

Vote: Ayes *49* Nays *0*

Approved *4-23-63*

Passed on file 4/2
Deferred 4/15

A BILL FOR

An Act authorizing the state board of regents to acquire by purchase, lease or construction and to reconstruct, complete, equip, improve, repair, remodel, operate, control, maintain and manage buildings for use as student residence halls and dormitories, including dining and other incidental facilities therefor, and additions to such buildings, at the state university of Iowa, the Iowa state university of science and technology and the state college of Iowa, to acquire and improve property therefor, to establish and collect rates, fees or rentals for the use of such buildings and facilities and to borrow money and issue bonds or notes payable solely from the net revenues derived from the operation of residence halls, dormitories and facilities and to refund bonds, notes or other obligations payable from such revenues, and preserving rights heretofore acquired and validating obligations incurred for such purposes.

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

- 1 Section 1. The following words or terms, as used in this Act,
- 2 shall have the respective meanings as stated:
- 3 1. "Board" shall mean the state board of regents.
- 4 2. "Project shall mean the acquisition by purchase, lease or
- 5 construction of buildings for use as student residence halls and
- 6 dormitories, including dining and other incidental facilities there-
- 7 for, and additions to such buildings, the reconstruction, completion,
- 8 equipment, improvement, repair or remodeling of residence halls,
- 9 dormitories, or additions thereto or facilities therefor, and the
- 10 acquisition of property therefor of every kind and description,
- 11 whether real, personal or mixed, by gift, purchase, lease, condem-
- 12 nation or otherwise and the improvement of the same.

13 3. "Institution" or "institutions" shall mean the state
14 university of Iowa, the Iowa state university of science and
15 technology and the state college of Iowa.

16 4. "Bonds or notes" shall mean revenue bonds or revenue notes
17 which are payable solely and only from net rents, profits and income
18 derived from the operation of residence halls, dormitories, facili-
19 ties therefor and additions thereto.

1 Sec. 2. Subject to and in accordance with the provisions of
2 this Act the state board of regents is hereby authorized to undertake
3 and carry out any project as hereinbefore defined at the state
4 university of Iowa, the Iowa state university of science and
5 technology and the state college of Iowa and to operate, control,
6 maintain and manage student residence halls and dormitories,
7 including dining and other incidental facilities, and additions
8 to such buildings at each of said institutions. All contracts for
9 the construction, reconstruction, completion, equipment, improve-
10 ment, repair or remodeling of any buildings, additions or facili-
11 ties shall be let in accordance with the provisions of section
12 two hundred sixty-two point thirty-four (262.34), of the Code.
13 The title to all real estate acquired under the provisions of
14 this Act and the improvements erected thereon shall be taken and
15 held in the name of the state of Iowa. The board is authorized
16 to rent the rooms in such residence halls and dormitories to the
17 students, officers, guests and employees of said institutions at
18 such rates, fees or rentals as will provide a reasonable return
19 upon the investment, but which will in any event produce net
20 rents, profits and income sufficient to insure the payment of the
21 principal of and interest on all bonds or notes issued to pay any
22 part of the cost of any project and refunding bonds or notes

23 issued pursuant to the provisions of this Act.

1 Sec. 3. To pay all or any part of the cost of carrying out
2 any project at any institution the board is authorized to borrow
3 money and to issue and sell negotiable bonds or notes and to
4 refund and refinance bonds or notes heretofore issued or as may
5 be hereafter issued for any project or for refunding purposes
6 at a lower rate, the same rate or a higher rate or rates of in-
7 terest and from time to time as often as the board shall find it
8 to be advisable and necessary so to do. Such bonds or notes may
9 be sold by said board at public sale in the manner prescribed by
10 chapter seventy-five (75) of the Code, but if the board shall find
11 it to be advantageous and in the public interest to do so, such
12 bonds or notes may be sold by the board at private sale without
13 published notice of any kind and without regard to the require-
14 ments of chapter seventy-five (75) of the Code in such manner and
15 upon such terms as may be prescribed by the resolution authorizing
16 the same, but such bonds or notes shall in any event be sold upon
17 terms of not less than par plus accrued interest. Bonds or notes
18 issued to refund other bonds or notes heretofore or hereafter
19 issued by the board for residence hall or dormitory purposes at any
20 institution, including dining or other facilities and additions,
21 or heretofore or hereafter issued for refunding purposes, may
22 either be sold in the manner hereinbefore specified and the pro-
23 ceeds thereof applied to the payment of the obligations being
24 refunded, or the refunding bonds or notes may be exchanged for and
25 in payment and discharge of the obligations being refunded, and a
26 finding by the board in the resolution authorizing the issuance of
27 such refunding bonds or notes that the bonds or notes being refund-
28 ed were issued for a purpose specified in this Act and constitute

29 binding obligations of the board shall be conclusive and may be
30 relied upon by any holder or any refunding bond or note issued
31 under the provisions of this Act. The refunding bonds or notes
32 may be sold or exchanged in installments at different times or an
33 entire issue or series may be sold or exchanged at one time. Any
34 issue or series of refunding bonds or notes may be exchanged in
35 part or sold in parts in installments at different times or at one
36 time. The refunding bonds or notes may be sold or exchanged at
37 any time on, before, or after the maturity of any of the outstand-
38 ing notes, bonds or other obligations to be refinanced thereby and
39 may be issued for the purpose of refunding a like or greater
40 principal amount of bonds or notes, except that the principal
41 amount of the refunding bonds or notes may exceed the principal
42 amount of the bonds or notes to be refunded to the extent necessary
43 to pay any premium due on the call of the bonds or notes to be
44 refunded or to fund interest in arrears or about to become due.

45 All bonds or notes issued under the provision of this Act shall
46 be payable solely and only from and shall be secured by an
47 irrevocable pledge of a sufficient portion of (1) the net rents,
48 profits and income derived from the operation of residence halls,
49 dormitories, dining or other incidental facilities and additions,
50 including necessary real and personal property, acquired or
51 improved in whole or in part with the proceeds of such bonds or
52 notes, regardless of the manner of such acquisition or improve-
53 ment, and (2) the net rents, profits and income not pledged for
54 other purposes derived from the operation of any other residence
55 halls or dormitories, including dining or other incidental facili-
56 ties and additions, at the particular institution. All bonds or
57 notes issued under the provisions of this Act shall have all the

58 qualities of negotiable instruments under the laws of this state.

1 Sec. 4. Such bonds or notes may bear such date or dates, may
2 bear interest at such rate or rates, payable semiannually, may
3 mature at such time or times, may be in such form, carry such
4 registration privileges, may be payable at such place or places,
5 may be subject to such terms of redemption prior to maturity with
6 or without premium, if so stated on the face thereof, and may
7 contain such terms and covenants all as may be provided by the
8 resolution of the board authorizing the issuance of the bonds or
9 notes. In addition to the estimated cost of construction, the
10 cost of the project shall be deemed to include interest upon the
11 bonds or notes during construction and for six months after the
12 estimated completion date, the compensation of a fiscal agent or
13 adviser and engineering, administrative and legal expenses. Such
14 bonds or notes shall be executed by the president of the state
15 board of regents and attested by the secretary thereof and the
16 coupons thereto attached shall be executed with the original or
17 facsimile signatures of said president and secretary. Any bonds
18 or notes bearing the signatures of officers in office on the date
19 of the signing thereof shall be valid and binding for all purposes,
20 notwithstanding that before delivery thereof any or all such persons
21 whose signatures appear thereon shall have ceased to be such
22 officers. Each such bond or note shall state upon its face the
23 name of the institution on behalf of which it is issued, that it
24 is payable solely and only from the net rents, profits and income
25 derived from the operation of residence halls or dormitories,
26 including dining and other incidental facilities, at such institu-
27 tion as hereinbefore provided, and that it does not constitute a
28 charge against the state of Iowa within the meaning or application

29 of any constitutional or statutory limitation or provision. The
30 issuance of such bonds or notes shall be recorded in the office of
31 the treasurer of the institution on behalf of which the same are
32 issued, and a certificate by such treasurer to this effect shall
33 be printed on the back of each bond or note.

1 Sec. 5. Upon the determination by the state board of regents
2 to undertake and carry out any project or to refund outstanding
3 bonds or notes, said board shall adopt a resolution describing
4 generally the contemplated project and setting forth the estimated
5 cost thereof, or describing the obligations to be refunded, fix-
6 ing the amount of bonds or notes to be issued, the maturity or
7 maturities, the interest rate or rates and all details in respect
8 thereof. Such resolution shall contain such covenants as may be
9 determined by the board as to the issuance of additional bonds or
10 notes that may thereafter be issued payable from the net rents,
11 profits and income of the residence halls or dormitories, the
12 amendment or modification of the resolution authorizing the
13 issuance of any bonds or notes, the manner, terms and conditions
14 and the amount or percentage of assenting bonds or notes neces-
15 sary to effectuate such amendment or modification, and such other
16 covenants as may be deemed necessary or desirable. In the
17 discretion of the board any bonds or notes issued under the terms
18 of this Act may be secured by a trust indenture by and between
19 the board and a corporate trustee, which may be any trust company
20 or bank having the powers of a trust company within or without
21 the boundaries of the state of Iowa, but no such trust indenture
22 shall convey or mortgage the buildings or facilities or any part
23 thereof. The provisions of this Act and of any resolution or
24 other proceedings authorizing the issuance of bonds or notes and

25 providing for the establishment and maintenance of adequate rates,
26 fees or rentals and the application of the proceeds thereof shall
27 constitute a contract with the holders of such bonds or notes.

1 Sec. 6. Whenever bonds or notes are issued by the state board
2 of regents, it shall be the duty of said board to establish,
3 impose and collect rates, fees or rentals for the use of and
4 services provided by the residence halls and dormitories, includ-
5 ing dining and other incidental facilities therefor, at the
6 institution on behalf of which such bonds or notes are issued,
7 and to adjust such rates, fees or rentals from time to time, in
8 order to always provide net amounts sufficient to pay the principal
9 of and interest on such bonds or notes as the same become due and
10 to maintain a reserve therefor, and said board is authorized to
11 pledge a sufficient amount of the net rents, profits and income
12 derived from the operation of residence halls and dormitories,
13 including dining and other facilities therefor, at such institu-
14 tion for this purpose. Rates, fees or rentals collected at one
15 institution shall not be used to discharge bonds or notes issued
16 for or on account of another institution. All bonds or notes
17 issued under the terms of this Act shall be exempt from taxation
18 by the state of Iowa and the interest thereon shall be exempt
19 from the state income tax.

1 Sec. 7. A certified copy of each resolution providing for the
2 issuance of bonds or notes under this Act shall be filed with the
3 treasurer of the institution on behalf of which the bonds or notes
4 are issued and it shall be the duty of said treasurer to keep and
5 maintain separate accounts for each issue of bonds or notes in
6 accordance with the covenants and directions set out in the resolu-
7 tion providing for the issuance thereof. All rates, fees or

8 rentals collected for the use of and services provided by the
9 residence halls and dormitories, including dining and other inci-
10 dental facilities therefor, at each institution shall be held in
11 trust by the treasurer thereof, separate and apart from all other
12 funds, to be used solely and only for the purposes specified in
13 this Act and as may be required and provided for by the proceed-
14 ings of the board authorizing the issuance of bonds or notes. It
15 shall be the duty of the treasurer of each institution to disburse
16 funds from the proper account for the payment of the principal of
17 and interest on the bonds or notes in accordance with the direc-
18 tions and covenants of the resolution authorizing the issuance
19 thereof.

1 Sec. 8. Under no circumstances shall any bond or notes issued
2 under the terms of this Act be or become or be construed to con-
3 stitute a charge against the state of Iowa within the purview of
4 any constitutional or statutory limitation or provision. No
5 taxes, appropriations or other funds of the state of Iowa may be
6 pledged for or used to pay such bonds or notes or the interest
7 thereon but any such bonds or notes shall be payable solely and
8 only as to both principal and interest from the net rents, profits
9 and income derived from the operation of residence halls and dor-
10 mitories, including dining and other incidental facilities there-
11 for, at the institutions of higher learning under the control of
12 the state board of regents as hereinbefore provided, and the sole
13 remedy for any breach or default of the terms of any such bonds
14 or notes or proceedings for their issuance shall be a proceeding
15 either in law or in equity by suit, action or mandamus to enforce
16 and compel performance of the duties required by this Act and the
17 terms of the resolution under which such bonds or notes are issued.

1 Sec. 9. All banks, trust companies, bankers, savings banks
2 and institutions, building and loan associations, savings and loan
3 associations, investment companies and other persons carrying on a
4 banking or investment business, all insurance companies, insurance
5 associations and other persons carrying on an insurance business
6 and all executors, administrators, guardians, trustees and other
7 fiduciaries may legally invest any sinking funds, moneys or other
8 funds belonging to them or within their control in any bonds or
9 notes issued pursuant to this Act; provided, however, that nothing
10 contained in this section may be construed as relieving any persons
11 from any duty of exercising reasonable care in selecting securities
12 for purchase or investment.

1 Sec. 10. The state board of regents is authorized to apply for
2 and accept federal aid or non-federal gifts or grants of funds and
3 to use the same to pay all or any part of the cost of carrying out
4 any project at any institution under the terms of this Act or to
5 pay any bonds and interest thereon issued for any of the purposes
6 specified in this Act.

1 Sec. 11. This Act shall be construed as providing an alterna-
2 tive and independent method for carrying out any project at any
3 institution of higher learning under the control of the state
4 board of regents, for the issuance and sale or exchange of bonds
5 or notes in connection therewith and for refunding bonds or notes
6 pertinent thereto, without reference to any other statute, and
7 shall not be construed as an amendment of or subject to the pro-
8 visions of any other law, and no publication of any notice, whether
9 under section twenty-three point twelve (23.12) of the Code or
10 otherwise, and no other or further proceeding in respect to the
11 issuance or sale or exchange of bonds or notes under this Act

12 shall be required except such as are prescribed by this Act, any
13 provisions of other statutes of the state to the contrary notwith-
14 standing.

1 Sec. 12. All rights heretofore acquired in connection with
2 the financing of any project at any institution are hereby pre-
3 served and all acts and proceedings taken by the board preliminary
4 to and in connection with the authorization and issuance of any
5 previously issued and outstanding notes or other obligations for
6 any project are hereby legalized, validated and confirmed and
7 said notes or obligations are hereby declared to be legal and to
8 constitute valid and binding obligations of the board according
9 to their terms and payable solely and only from the sources
10 referred to therein.

1 Sec. 13. If any provisions of this Act or the application
2 thereof to any person or circumstances is held to be invalid,
3 such invalidity shall not affect other provisions or applications
4 of the Act which can be given effect without the invalid provi-
5 sions or application, and to this end the provisions of this Act
6 are declared to be severable.

1 Sec. 14. This Act being deemed of immediate importance shall
2 be in full force and effect from and after its passage and pub-
3 lication in the Grinnell Herald-Register, a newspaper published
4 at Grinnell, Iowa, and in the Oelwein Daily Register, a newspaper
5 published at Oelwein, Iowa.

EXPLANATION OF HOUSE FILE 543

This bill provides for an alternative and independent method, from that provided by the present statutes, for acquiring and operating dormitories at the State University of Iowa, Iowa State University and State College of Iowa, establishing rates for the use of such facilities, for borrowing money by the issuance and sale or exchange of revenue bonds or notes payable solely from net revenues derived from the operation of the dormitories and for refunding obligations payable from such revenues.

As enrollments increase at the three state schools, the need for student housing will also increase. The alternative method provided for under this bill will give the state board of regents a broader investment field from which to borrow funds, authority to refund outstanding loans, offer negotiable notes or bonds at either public or private sale, and to obtain more favorable loan terms than is now possible.

The revenue notes which have been issued in the past and the notes or bonds to be issued under this bill do not constitute a charge against the State of Iowa. No taxes, appropriations or other funds of the state may be pledged for or used to pay such bonds or notes or the interest thereon. They will be exempt from taxation by the State of Iowa and the interest thereon will be exempt from the state income tax.