

FEB 28 2002
WAYS AND MEANS

HOUSE FILE 2580
BY GIPP and HATCH

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act establishing a pilot program to provide awards to Iowa
2 students to attend an Iowa community college or postsecondary
3 college or university, providing for the issuance of bonds to
4 fund the program, appropriating certain gambling revenues to
5 repay the bonds, providing for individual and corporate income
6 tax deductions for contributions to the program, and providing
7 an individual income tax credit for certain graduates of
8 Iowa's community colleges or postsecondary colleges and
9 universities who are employed within the state and including
10 effective and retroactive applicability date provisions.

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

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HF 2580

1 Section 1. Section 8.57, subsection 5, paragraph e, Code
2 Supplement 2001, is amended by adding the following new
3 unnumbered paragraph:

4 NEW UNNUMBERED PARAGRAPH. Of the sixty million dollars to
5 be deposited in the general fund of the state in a fiscal year
6 pursuant to this paragraph "e", there shall be deposited into
7 the between the rivers award program repayment account created
8 in section 261.135 an amount, not to exceed fifteen million
9 dollars, to pay principal and interest on bonds issued for the
10 between the rivers award program pursuant to section 16.190.

11 Sec. 2. NEW SECTION. 16.190 BETWEEN THE RIVERS AWARD
12 PILOT PROGRAM BONDS.

13 1. The authority is authorized to issue its bonds to
14 provide financing as provided in this section for grants and
15 loans under the between the rivers award pilot program
16 established in section 261.131 by the college student aid
17 commission. Bonds may be issued in order to fund the pilot
18 program, the payment of interest on the bonds, the
19 establishment of reserves to secure the bonds, the costs of
20 issuance of the bonds, and other expenditures incident to or
21 necessary or convenient to carry out the bond issue. The
22 bonds are investment securities and negotiable instruments
23 within the meaning of and for the purposes of the uniform
24 commercial code.

25 2. The college student aid commission shall pledge amounts
26 in the between the rivers award program repayment account
27 established under section 261.135, subsection 2, as security
28 for the payment of the principal of, premium, if any, and
29 interest on the bonds. Bonds issued under this section are
30 payable solely and only out of the moneys, assets, or revenues
31 of the repayment account, all of which may be deposited with
32 trustees or depositories in accordance with bond or security
33 documents, and are not an indebtedness of this state or the
34 authority, or a charge against the general credit or general
35 fund of the state or the authority, and the state shall not be

1 liable for the bonds except from amounts deposited in the
2 repayment account. Bonds issued under this section shall
3 contain a statement that the bonds do not constitute an
4 indebtedness of the state or the authority.

5 3. Bonds shall not be issued until such time as determined
6 by the college student aid commission. The amount of bonds
7 that may be issued pursuant to this section shall not exceed
8 one hundred fifty million dollars.

9 4. The proceeds of bonds issued by the authority and not
10 required for immediate disbursement may be deposited with a
11 trustee or depository as provided in the bond documents and
12 invested in any investment approved by the authority and
13 specified in the trust indenture, resolution, or other
14 instrument pursuant to which the bonds are issued without
15 regard to any limitation otherwise provided by law.

16 5. The bonds shall be:

17 a. In a form, issued in denominations, executed in a
18 manner, and payable over terms and with rights of redemption,
19 and be subject to such other terms and conditions as
20 prescribed in the trust indenture, resolution, or other
21 instrument authorizing their issuance.

22 b. Negotiable instruments under the laws of this state and
23 may be sold at prices, at public or private sale, and in a
24 manner, as prescribed by the authority. Chapters 73A, 74,
25 74A, and 75 do not apply to the sale or issuance of the bonds.

26 c. Subject to the terms, conditions, and covenants
27 providing for the payment of the principal, redemption
28 premiums, if any, interest, and other terms, conditions,
29 covenants, and protective provisions safeguarding payment, not
30 inconsistent with this chapter and as determined by the trust
31 indenture, resolution, or other instrument authorizing their
32 issuance.

33 6. The bonds are securities in which public officers and
34 bodies of this state, political subdivisions of this state,
35 insurance companies and associations and other persons

1 carrying on an insurance business, banks, trust companies,
2 savings associations, savings and loan associations, and
3 investment companies, administrators, guardians, executors,
4 trustees, and other fiduciaries, and other persons authorized
5 to invest in bonds or other obligations of the state, may
6 properly and legally invest funds, including capital, in their
7 control or belonging to them.

8 7. Bonds must be authorized by a trust indenture,
9 resolution, or other instrument of the authority. However, a
10 trust indenture, resolution, or other instrument authorizing
11 the issuance of bonds may delegate to an officer of the issuer
12 the power to negotiate and fix the details of an issue of
13 bonds.

14 8. The trust indenture, resolution, or any other
15 instrument by which a pledge is created is not required to be
16 recorded or filed under the uniform commercial code to be
17 valid, binding, or effective.

18 9. Bonds issued under this section are declared to be
19 issued for an essential public and governmental purpose and
20 all bonds issued under this section shall be exempt from
21 taxation by the state of Iowa and the interest on the bonds
22 shall be exempt from the state income taxes and the state
23 inheritance and estate tax.

24 10. The authority shall cooperate with the college student
25 aid commission in the implementation of this section. The
26 authority shall not issue bonds unless authorized by the
27 college student aid commission.

28 Sec. 3. NEW SECTION. 261.130 DEFINITIONS.

29 As used in this division, unless the context otherwise
30 requires:

31 1. "Accredited higher education institution" means the
32 same as defined in section 261.92.

33 2. "Commission" means the college student aid commission.

34 3. "Community college" means the same as defined in
35 section 260C.2.

1 4. "Degree" means a baccalaureate degree from an Iowa
2 accredited higher education institution or an associate degree
3 from an Iowa community college.

4 5. "Employed" includes self-employment.

5 Sec. 4. NEW SECTION. 261.131 BETWEEN THE RIVERS AWARD
6 PILOT PROGRAM.

7 1. The commission shall establish a seven-year between the
8 rivers award pilot program to provide awards to students first
9 attending an Iowa accredited higher education institution or
10 an Iowa community college during the first four school years
11 after the first issuance of bonds by the Iowa finance
12 authority for the pilot program pursuant to section 16.190.

13 2. To be initially eligible for an award, the student must
14 be an Iowa resident attending the student's first year at an
15 Iowa accredited higher education institution or Iowa community
16 college, which school year must begin in the same calendar
17 year in which the student has graduated from an Iowa high
18 school, been honorably discharged from the armed forces of the
19 United States, or received a high school equivalency diploma.
20 To qualify for the award, the student must establish the
21 student's need for assistance.

22 3. The amount of an initial award to an eligible student
23 shall be equal to one thousand dollars for the first year. If
24 the student maintains ordinary progress toward graduation and
25 has at least a two point zero grade point average on a four
26 point zero scale or the equivalent during a school year, the
27 student may receive an additional award the following year
28 equal to two hundred fifty dollars more than the award the
29 student received for the previous year. The maximum number of
30 awards which a student may receive under the pilot program is
31 four if attending an Iowa accredited higher education
32 institution and two if attending an Iowa community college.

33 4. Payments pursuant to an award shall be allocated
34 equally among the semesters or quarters of the year upon
35 certification by the accredited higher education institution

1 or community college at which the student is in attendance.
2 If the student discontinues attendance before the end of any
3 term after the accredited higher education institution or
4 community college receives payment from the award, the entire
5 amount of any refund due that student, up to the amount of any
6 payments made to the higher education institution or community
7 college from the award, shall be paid by the higher education
8 institution or community college to the state.

9 Sec. 5. NEW SECTION. 261.132 ADMINISTRATION BY
10 COMMISSION -- RULES.

11 The commission shall administer the between the rivers
12 award pilot program and shall do all of the following:

13 1. Provide award application forms and parents'
14 confidential statement forms.

15 2. Adopt rules and regulations for determining financial
16 need, defining tuition and mandatory fees, defining residence
17 for the purposes of this division, processing and approving
18 applications for tuition awards, and determining priority of
19 awards. The commission may provide for proration of funds if
20 the available funds are insufficient to pay all approved
21 awards. Such proration shall consider the financial needs of
22 the applicants. In determining who is a resident of Iowa, the
23 commission's rules shall be at least as restrictive as those
24 adopted by the board of regents.

25 3. Approve and make tuition awards.

26 4. Make an annual report to the governor and general
27 assembly, and evaluate the between the rivers award pilot
28 program for the period of the pilot program. The commission
29 may require an accredited higher education institution or
30 community college at which a student receiving an award is in
31 attendance to promptly furnish any information the commission
32 may request in connection with the pilot program.

33 Sec. 6. NEW SECTION. 261.133 APPLICATION FOR AWARDS.

34 Each applicant, in accordance with the rules of the
35 commission, shall:

1 1. Complete and file an application for a tuition award on
2 forms provided by the commission.

3 2. Be responsible for submission of a parents'
4 confidential statement on forms provided by the commission for
5 processing. The processed information shall be returned both
6 to the commission and to the educational institution in which
7 the applicant is enrolling.

8 3. Report promptly to the commission any information
9 requested.

10 4. File a new application and parents' confidential
11 statement annually on the basis of which the applicant's
12 eligibility for a renewed tuition award will be evaluated and
13 determined.

14 Sec. 7. NEW SECTION. 261.134 REPAYMENT OF AWARDS.

15 1. A student approved for an award under the between the
16 rivers award pilot program shall enter into a repayment
17 agreement with the commission before receiving the award. An
18 award shall only be required to be repaid with interest under
19 one of the following circumstances:

20 a. Failure of the award recipient to receive a degree.
21 Interest shall be computed beginning with the fourth month
22 following the student's leaving school.

23 b. Upon receiving a degree, failure of the award recipient
24 to be employed in Iowa for five consecutive calendar years
25 after receipt of the degree. Interest shall be computed
26 beginning with the fourth month following the receipt of the
27 degree or the cessation of employment in the state, whichever
28 is later. For purposes of this paragraph and subsection 3, an
29 individual is considered to be employed in a calendar year in
30 the state as follows:

31 (1) In the calendar year in which the degree is received,
32 the individual is employed in the state for more than one-half
33 of the individual's working days during the period beginning
34 with the date of receipt of the degree and ending December 31
35 of that calendar year.

1 (2) In a calendar year subsequent to the year in which the
2 degree was received, the individual is employed in the state
3 for more than one-half of the individual's working days during
4 the calendar year.

5 2. A repayment schedule shall be developed by the
6 commission that will allow the repayment of an award plus
7 interest over a period of time not to exceed five years. The
8 schedule shall provide for the deferment of any repayments and
9 interest by an individual who has received a degree during the
10 period the individual is serving in the armed forces of the
11 United States or is continuing studies for an advanced degree.

12 3. An individual described in subsection 1, paragraph "b",
13 who is employed in Iowa for less than five consecutive
14 calendar years shall receive a reduction in the total amount
15 of award repayments and interest equal to twenty percent per
16 calendar year the individual was employed in the state.

17 Sec. 8. NEW SECTION. 261.135 REVOLVING FUND.

18 There is created a between the rivers award revolving fund
19 in the state treasury. Moneys in the fund are separate from
20 the general fund of the state and shall not be considered part
21 of the general fund of the state. Notwithstanding section
22 12C.7, subsection 2, interest and earnings on moneys in the
23 between the rivers award revolving fund shall be credited to
24 the revolving fund. Moneys credited to the fund shall be the
25 net proceeds from the issuance of bonds pursuant to section
26 16.190, moneys appropriated to the fund, moneys contributed to
27 the fund by individuals and businesses, and any other moneys
28 directed to be deposited into the fund. The fund shall
29 consist of two accounts as follows:

30 1. AWARDS ACCOUNT. There is established an awards account
31 in the revolving fund. All moneys received from the net
32 proceeds from the issuance of bonds pursuant to section 16.190
33 shall be deposited into the awards account. The moneys in the
34 account are appropriated to the commission for purposes of
35 providing awards under the between the rivers award pilot

1 program. However, the commission may transfer moneys from
2 this account to the repayment account if it determines that
3 the amount in the repayment account will be insufficient to
4 pay principal and interest on the bonds issued for purposes of
5 the pilot program. Amounts received from the repayment of
6 awards shall be deposited into the awards account.

7 2. REPAYMENT ACCOUNT. There is established a repayment
8 account in the revolving fund. The repayment account shall
9 contain, but is not limited to, moneys received from
10 individuals and corporations, moneys transferred from the
11 awards account, moneys received as provided in section 8.57,
12 subsection 5, and other moneys the commission deposits into
13 the repayment account. Moneys in the repayment account are
14 appropriated to the commission and shall be used only for the
15 repayment of bonds issued pursuant to section 16.190 and shall
16 be pledged for that purpose. The commission shall not
17 authorize the first issuance of bonds until the repayment
18 account contains an amount at least equal to the interest
19 payments on the bonds for the first four years following the
20 issuance of the bonds.

21 Sec. 9. Section 422.7, Code Supplement 2001, is amended by
22 adding the following new subsection:

23 NEW SUBSECTION. 38. Subtract the amount of charitable
24 contributions, as defined in section 170(c) of the Internal
25 Revenue Code, made to the college student aid commission for
26 purposes of the between the rivers award pilot program
27 established in section 261.131.

28 Sec. 10. Section 422.9, subsection 2, Code Supplement
29 2001, is amended by adding the following new paragraph:

30 NEW PARAGRAPH. j. If the taxpayer has a deduction for
31 charitable contributions under section 170 of the Internal
32 Revenue Code, the taxpayer shall recompute for purposes of
33 this subsection the amount of the deduction under section 170
34 by excluding from the charitable contributions as defined in
35 section 170(c) of the Internal Revenue Code the amount

1 subtracted under section 422.7, subsection 38.

2 Sec. 11. NEW SECTION. 422.11F IOWA GRADUATE EMPLOYMENT
3 TAX CREDIT.

4 1. The taxes imposed under this division less the credits
5 allowed under sections 422.12 and 422.12B shall be reduced by
6 an Iowa graduate employment tax credit. To be eligible for
7 the credit, the taxpayer or the taxpayer's spouse must have
8 graduated during the period beginning with the calendar year
9 following the calendar year designated by the college student
10 aid commission as the first year of the between the rivers
11 award pilot program and ending three calendar years later from
12 an Iowa accredited higher education institution with a
13 baccalaureate degree or an Iowa community college with an
14 associate degree, and at the time of graduation must be a
15 nonresident or ineligible for an award under the between the
16 rivers award pilot program. To receive the credit, the
17 taxpayer or taxpayer's spouse must have been employed within
18 this state for more than one-half of the taxpayer's or the
19 taxpayer's spouse's working days during the tax year and the
20 tax year must begin during the period of eligibility.

21 2. The amount of the tax credit is six hundred dollars for
22 a baccalaureate degree earned at an Iowa accredited higher
23 education institution and two hundred dollars for an associate
24 degree earned at an Iowa community college. A taxpayer
25 eligible to receive the tax credit may receive the tax credit
26 for any tax year beginning during the period of eligibility.

27 Married taxpayers filing joint returns, if both spouses
28 qualify to receive the tax credit, are each entitled to the
29 tax credit. Any tax credit in excess of the tax liability is
30 nonrefundable.

31 3. For purposes of this section:

32 a. "Accredited higher education institution" means the
33 same as defined in section 261.92.

34 b. "Between the rivers award pilot program" means the
35 award pilot program established by the college student aid

1 commission pursuant to sections 261.130 through 261.135.

2 c. "Community college" means the same as defined in
3 section 260C.2.

4 d. "Employed" includes self-employment.

5 e. "Period of eligibility" means the ten-calendar-year
6 period beginning with the calendar year in which the taxpayer
7 or the taxpayer's spouse earned the baccalaureate degree or
8 associate degree.

9 Sec. 12. Section 422.35, Code Supplement 2001, is amended
10 by adding the following new subsection:

11 NEW SUBSECTION. 19. Subtract, to the extent not already
12 excluded, the amount of charitable contributions, as defined
13 in section 170(c) of the Internal Revenue Code, made to the
14 college student aid commission for purposes of the between the
15 rivers award pilot program established in section 261.131.

16 Sec. 13. EFFECTIVE AND APPLICABILITY DATES. This Act,
17 being deemed of immediate importance, takes effect upon
18 enactment. Sections 9, 10, and 12 of this Act, amending
19 sections 422.7, 422.9, and 422.35, apply retroactively to
20 January 1, 2002, for tax years beginning on or after that
21 date. Section 11 of this Act, enacting new section 422.11F,
22 applies to tax years beginning on or after January 1, 2003.

23 EXPLANATION

24 This bill establishes a pilot program for providing awards
25 to attend a community college, college, or university in this
26 state. To qualify for an award, a student must begin college
27 within the same calendar year following graduation from a high
28 school in the state, be honorably discharged from the armed
29 forces of the United States, or have received an Iowa high
30 school equivalency degree and be in need of financial
31 assistance. The amount of the award is \$1,000 and a student
32 could receive awards for additional years if the student
33 maintains a 2.0 grade point average and is making progress
34 toward graduation. The amount of the additional awards would
35 be \$250 greater than the previous year's award. The student

1 may receive awards for a maximum of two years for a community
2 college and four years for a four-year college or university.
3 If a student who has received an award does not graduate, or
4 upon graduation is not employed in Iowa for five years, the
5 student must repay the award plus interest over five years.
6 However, if the graduate is employed in Iowa for less than
7 five consecutive years, the graduate's repayment is reduced by
8 20 percent for each year the graduate is employed in the
9 state.

10 Funding for the program would be provided from the issuance
11 of bonds by the Iowa finance authority. Repayment of the
12 bonds would be from moneys deposited in the state general fund
13 from gambling revenues, up to \$15 million. Not more than \$150
14 million in bonds may be issued. However, before any bonds may
15 be issued, the first four years' interest on the bonds must be
16 accumulated from contributions from individuals and
17 businesses. These contributions are deductible for state
18 individual and corporate income tax.

19 The bill also provides an income tax credit for nonresident
20 individuals and individuals not qualifying for the award pilot
21 program who have received a baccalaureate degree from an Iowa
22 state or private college or university or an associate degree
23 from an Iowa community college and who are employed or self-
24 employed in Iowa for more than one-half of the tax year. The
25 degrees must be received during a four-year period beginning
26 with the calendar year after the award pilot program begins
27 and the following three calendar years. The amount of credit
28 equals \$600 for a baccalaureate degree and \$200 for an
29 associate degree. The credit is available for up to 10 years.
30 The credit is nonrefundable. If both spouses qualify for the
31 credit, they may both claim the credit even if they file
32 jointly.

33 The bill takes effect upon enactment and the tax provisions
34 have applicability date provisions.

35