

MAR 16 2005  
WAYS AND MEANS

HOUSE FILE 794  
BY COMMITTEE ON ECONOMIC  
GROWTH

(SUCCESSOR TO HSB 137)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to economic development, business, workforce, and  
2 regulatory assistance and tax credits, and to state  
3 developmental, research, and regulatory oversight, making  
4 appropriations, and including effective date and applicability  
5 provisions.

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

7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

DIVISION I

GROW IOWA VALUES FUND

Section 1. NEW SECTION. 15G.108 GROW IOWA VALUES FUND.

A grow Iowa values fund is created in the state treasury under the control of the department of economic development consisting of moneys appropriated to the department. Moneys in the fund are not subject to section 8.33. Notwithstanding section 12C.7, interest or earnings on moneys in the fund shall be credited to the fund. The fund shall be administered by the department, which shall make expenditures from the fund consistent with this chapter and pertinent Acts of the general assembly. Any financial assistance provided using moneys from the fund may be provided over a period of time of more than one year. Payments of interest, repayments of moneys loaned pursuant to this chapter, and recaptures of grants or loans shall be deposited in the fund.

DIVISION II

APPROPRIATIONS

Sec. 2. NEW SECTION. 15G.111 APPROPRIATIONS.

1. a. For the fiscal period beginning July 1, 2005, and ending June 30, 2015, there is appropriated each fiscal year from the grow Iowa values fund created in section 15G.108 to the department of economic development thirty-five million dollars for programs administered by the department of economic development.

b. Each year that moneys are appropriated under this subsection, the department shall allocate a percentage of the moneys for each of the following types of activities:

- (1) Business start-ups.
- (2) Business expansion.
- (3) Business modernization.
- (4) Business attraction.
- (5) Business retention.
- (6) Marketing.
- (7) Research and development.

1 c. The department shall require an applicant for moneys  
2 appropriated under this subsection to include in the  
3 application a statement regarding the intended return on  
4 investment. A recipient of moneys appropriated under this  
5 subsection shall annually submit a statement to the department  
6 regarding the progress achieved on the intended return on  
7 investment stated in the application. The department, in  
8 cooperation with the department of revenue, shall develop a  
9 method of identifying and tracking each new job created and  
10 the leveraging of moneys through financial assistance from  
11 moneys appropriated under this subsection. The department of  
12 economic development shall identify research and development  
13 activities funded through financial assistance from not more  
14 than ten percent of the moneys appropriated under this  
15 subsection, and, instead of determining return on investment  
16 and job creation for the identified funding, determine the  
17 potential impact on the state's economy.

18 d. The department may use moneys appropriated under this  
19 subsection to procure technical assistance from either the  
20 public or private sector, for information technology purposes,  
21 for a statewide labor shed study, and for rail, air, or river  
22 port transportation-related purposes. The use of moneys  
23 appropriated for rail, air, or river port  
24 transportation-related purposes must be directly related to an  
25 economic development project and the moneys must be used to  
26 leverage other financial assistance moneys.

27 e. Of the moneys appropriated under this subsection, the  
28 department may use up to one and one-half percent for  
29 administrative purposes.

30 f. The Iowa economic development board shall approve or  
31 deny applications for financial assistance provided with  
32 moneys appropriated under this subsection. In providing such  
33 financial assistance, the board shall, whenever possible,  
34 coordinate the assistance with other programs administered by  
35 the department of economic development, including the

1 community economic betterment program established in section  
2 15.317 and the value-added agricultural products and processes  
3 financial assistance program established in section 15E.111.

4 g. It is the policy of this state to expand and stimulate  
5 the state economy by advancing, promoting, and expanding  
6 biotechnology industries in this state. To implement this  
7 policy, the Iowa economic development board shall consider  
8 providing assistance to projects that increase value-added  
9 income to individuals or organizations involved in  
10 agricultural business or biotechnology projects. Such a  
11 project need not create jobs specific to the project site;  
12 however, such a project must foster the knowledge and  
13 creativity necessary to promote the state's agricultural  
14 economy and to increase employment in urban and rural areas as  
15 a result.

16 2. a. For the fiscal period beginning July 1, 2005, and  
17 ending June 30, 2015, there is appropriated each fiscal year  
18 from the grow Iowa values fund created in section 15G.108 to  
19 the department of economic development five million dollars  
20 for the following:

21 (1) For financial assistance to institutions of higher  
22 learning under the control of the state board of regents and  
23 to accredited private universities in this state for  
24 infrastructure projects and programs needed to assist in the  
25 implementation of activities under chapter 262B.

26 (2) For financial assistance to a single biosciences  
27 development organization determined by the department to  
28 possess expertise in promoting the area of bioscience  
29 entrepreneurship. The organization must be composed of  
30 representatives of both the public and the private sector and  
31 shall be composed of subunits or subcommittees in the areas of  
32 existing identified biosciences platforms, education and  
33 workforce development, commercialization, communication,  
34 policy and governance, and finance. Such financial assistance  
35 shall be used for purposes of activities related to

1 biosciences and bioeconomy development under chapter 262B.

2 3. For the fiscal period beginning July 1, 2005, and  
3 ending June 30, 2015, there is appropriated each fiscal year  
4 from the grow Iowa values fund created in section 15G.108 to  
5 the general fund of the state four million dollars for payment  
6 of tax credits approved pursuant to section 404A.4 for  
7 projects located in certified cultural and entertainment  
8 districts.

9 4. For the fiscal period beginning July 1, 2005, and  
10 ending June 30, 2015, there is appropriated each fiscal year  
11 from the grow Iowa values fund created in section 15G.108 to  
12 the department of economic development one million dollars for  
13 purposes of providing financial assistance for projects in  
14 targeted state parks and destination parks. The department of  
15 natural resources shall submit a plan to the department of  
16 economic development for the expenditure of moneys  
17 appropriated under this subsection. The plan shall focus on  
18 improving state parks, state banner parks, and destination  
19 parks for economic development purposes. Based on the report  
20 submitted, the department of economic development shall  
21 provide financial assistance to the department of natural  
22 resources for support of state parks, state banner parks, and  
23 destination parks.

24 5. For the fiscal period beginning July 1, 2005, and  
25 ending June 30, 2015, there is appropriated each fiscal year  
26 from the grow Iowa values fund created in section 15G.108 to  
27 the office of the treasurer of state one million dollars for  
28 deposit in the Iowa cultural trust fund created in section  
29 303A.4.

30 6. For the fiscal period beginning July 1, 2005, and  
31 ending June 30, 2015, there is appropriated each fiscal year  
32 from the grow Iowa values fund created in section 15G.108 to  
33 the department of economic development seven million dollars  
34 for deposit into the workforce training and economic  
35 development funds of the community colleges created pursuant

1 to section 260C.18A.

2 7. For the fiscal period beginning July 1, 2005, and  
3 ending June 30, 2015, there is appropriated each fiscal year  
4 from the grow Iowa values fund created in section 15G.108 to  
5 the general fund of the state four hundred thousand dollars  
6 for payment of endow Iowa tax credits approved pursuant to  
7 section 15E.305.

8 8. For the fiscal period beginning July 1, 2005, and  
9 ending June 30, 2015, there is appropriated each fiscal year  
10 from the grow Iowa values fund created in section 15G.108 to  
11 the department of economic development one million dollars for  
12 providing economic development region financial assistance  
13 under section 15E.232, subsections 3, 4, 5, and 6, and under  
14 section 15E.233.

15 9. For the fiscal period beginning July 1, 2005, and  
16 ending June 30, 2015, there is appropriated each fiscal year  
17 from the grow Iowa values fund created in section 15G.108 to  
18 the general fund of the state two million dollars for payment  
19 of economic development region revolving fund contribution tax  
20 credits approved pursuant to section 15E.232.

21 10. Notwithstanding section 8.33, moneys that remain  
22 unexpended at the end of a fiscal year shall not revert to any  
23 fund but shall remain available for expenditure for the  
24 designated purposes during the succeeding fiscal year.

25 DIVISION III

26 IOWA ECONOMIC DEVELOPMENT BOARD

27 Sec. 3. Section 15.103, Code 2005, is amended to read as  
28 follows:

29 15.103 ECONOMIC DEVELOPMENT BOARD.

30 1. a. The Iowa economic development board is created,  
31 consisting of eleven voting members appointed by the governor  
32 and seven ex officio nonvoting members. The ex officio  
33 nonvoting members are four legislative members; one president,  
34 or the president's designee, of the university of northern  
35 Iowa, the university of Iowa, or Iowa state university of

1 science and technology designated by the state board of  
2 regents on a rotating basis; and one president, or the  
3 president's designee, of a private college or university  
4 appointed by the Iowa association of independent colleges and  
5 universities; and one superintendent, or the superintendent's  
6 designee, of a community college, appointed by the Iowa  
7 association of community college presidents. The legislative  
8 members are two state senators, one appointed by the president  
9 of the senate, after consultation with the majority leader of  
10 the senate, and one appointed by the minority leader of the  
11 senate, after consultation with the president of the senate,  
12 from their respective parties; and two state representatives,  
13 one appointed by the speaker and one appointed by the minority  
14 leader of the house of representatives from their respective  
15 parties. Not more than six of the voting members shall be  
16 from the same political party. ~~The secretary of agriculture~~  
17 ~~or the secretary's designee shall be one of the voting~~  
18 ~~members.~~ The governor shall appoint the ~~remaining ten~~ voting  
19 members of the board for a term of four years beginning and  
20 ending as provided by section 69.19, subject to confirmation  
21 by the senate, and the governor's appointments shall include  
22 persons knowledgeable of the various elements of the  
23 department's responsibilities.

24 b. Each of the following areas of expertise shall be  
25 represented by at least one member of the board who has  
26 professional experience in that area of expertise:

- 27 (1) Finance, insurance, or investment banking.  
28 (2) Advanced manufacturing.  
29 (3) Statewide agriculture.  
30 (4) Life sciences.  
31 (5) Small business development.  
32 (6) Information technology.  
33 (7) Economics.  
34 (8) Labor.  
35 (9) Marketing.

1 (10) Entrepreneurship.

2 c. At least nine members of the board shall be actively  
3 employed in the private, for-profit sector of the economy.

4 2. A vacancy on the board shall be filled in the same  
5 manner as regular appointments are made for the unexpired  
6 portion of the regular term.

7 3. The board shall meet in May of each year for the  
8 purpose of electing one of its voting members as chairperson  
9 and one of its voting members as vice chairperson. However,  
10 the chairperson and the vice chairperson shall not be from the  
11 same political party. The board shall meet at the call of the  
12 chairperson or when any six members of the board file a  
13 written request with the chairperson for a meeting. Written  
14 notice of the time and place of each meeting shall be given to  
15 each member of the board. A majority of the voting members  
16 constitutes a quorum.

17 4. Members of the board, the director, and other employees  
18 of the department shall be allowed their actual and necessary  
19 expenses incurred in the performance of their duties. All  
20 expenses shall be paid from appropriations for those purposes  
21 and the department is subject to the budget requirements of  
22 chapter 8. Each member of the board may also be eligible to  
23 receive compensation as provided in section 7E.6.

24 5. If a member of the board has an interest, either direct  
25 or indirect, in a contract to which the department is or is to  
26 be a party, the interest shall be disclosed to the board in  
27 writing and shall be set forth in the minutes of a meeting of  
28 the board. The member having the interest shall not  
29 participate in action by the board with respect to the  
30 contract. ~~This paragraph does not limit the right of a member~~  
31 ~~of the board to acquire an interest in bonds, or limit the~~  
32 ~~right of a member to have an interest in a bank or other~~  
33 ~~financial institution in which the funds of the department are~~  
34 ~~deposited or which is acting as trustee or paying agent under~~  
35 ~~a trust indenture to which the department is a party.~~

1 6. As part of the organizational structure of the  
2 department, the board shall establish a due diligence  
3 committee and a loan and credit guarantee committee composed  
4 of members of the board. The committees shall serve in an  
5 advisory capacity to the board and shall carry out any duties  
6 assigned by the board in relation to programs administered by  
7 the department.

8 7. For the transitional period beginning July 1, 2005, and  
9 ending June 30, 2006, the composition of the voting members of  
10 the board shall be determined by the governor and shall be  
11 composed of members of the department of economic development  
12 in existence on June 30, 2005, and members of the grow Iowa  
13 values board as it existed on June 15, 2004. During the  
14 transitional period stated in this subsection, the  
15 requirements of subsection 1, paragraphs "a" and "b", shall  
16 not apply. This subsection is repealed June 30, 2006.

17 Sec. 4. Section 15.104, Code 2005, is amended by adding  
18 the following new subsection:

19 NEW SUBSECTION. 9. By January 15 of each year, submit a  
20 report to the general assembly and the governor that  
21 delineates expenditures made under each component of the grow  
22 Iowa values fund. In addition, the department shall provide  
23 in the report the following information regarding each  
24 business finance project and in the aggregate for projects  
25 funded during the previous fiscal year:

26 a. The number of jobs created as of the time of reporting.  
27 b. The average wage of the jobs created as of the time of  
28 reporting.

29 c. The amount of capital investment invested as of the  
30 time of reporting.

31 d. The location.

32 e. The amount, if any, of private and local government  
33 moneys expended as of the time of reporting.

34  
35

DIVISION IV  
REGULATORY ASSISTANCE

1     Sec. 5. NEW SECTION. 15E.19 REGULATORY ASSISTANCE.

2     1. The department of economic development shall coordinate  
3 all regulatory assistance for the state of Iowa. Each state  
4 agency administering regulatory programs for business shall  
5 maintain a coordinator within the office of the director or  
6 the administrative division of the state agency. Each  
7 coordinator shall do all of the following:

8     a. Serve as the state agency's primary contact for  
9 regulatory affairs with the department of economic  
10 development.

11    b. Provide information regarding regulatory requirements  
12 to businesses and represent the state agency to the private  
13 sector.

14    c. Monitor permit applications and provide timely permit  
15 status information to the department of economic development.

16    d. Require regulatory staff participation in negotiations  
17 and discussions with businesses.

18    e. Notify the department of economic development regarding  
19 proposed rulemaking activities that impact a regulatory  
20 program and any subsequent changes to a regulatory program.

21    2. The department of economic development shall, in  
22 consultation with the coordinators described in this section,  
23 examine, and to the extent permissible, assist in the  
24 implementation of methods, including the possible  
25 establishment of an electronic database, to streamline the  
26 process for issuing permits to business.

27    3. By January 15 of each year, the department of economic  
28 development shall submit a written report to the general  
29 assembly regarding the provision of regulatory assistance by  
30 state agencies, including the department's efforts, and its  
31 recommendations and proposed solutions, to streamline the  
32 process of issuing permits to business.

33

DIVISION V

34

ECONOMIC DEVELOPMENT REGIONS

35     Sec. 6. NEW SECTION. 15E.21 IOWA BUSINESS CENTERS.

1 1. The department shall establish an Iowa business center  
2 program for purposes of locating Iowa business centers in the  
3 state. Such centers may be located in areas of the state that  
4 are not served by a business accelerator or any similar type  
5 entity that assists start-up businesses. The department shall  
6 partner with another entity focusing on economic growth to  
7 establish an Iowa business center. Operational duties of a  
8 center shall be determined pursuant to a memorandum of  
9 agreement between the department and the other entity. The  
10 memorandum of agreement shall also contain a description of  
11 core services to be provided by the center and the  
12 responsibilities of the entities entering into the agreement.  
13 A center shall coordinate the intake of any person or business  
14 seeking business related assistance from a state entity.

15 2. a. For the fiscal period beginning July 1, 2005, and  
16 ending June 30, 2015, there is appropriated to the department  
17 of economic development each fiscal year fifty thousand  
18 dollars from the rural enterprise fund. Moneys appropriated  
19 under this paragraph shall be used for purposes of supporting  
20 Iowa business centers in rural areas of the state. The  
21 department shall provide financial assistance to such offices  
22 after the department and the entity operating the center enter  
23 into a memorandum of agreement for the operation of the  
24 center.

25 b. For the fiscal period beginning July 1, 2005, and  
26 ending June 30, 2015, there is appropriated to the department  
27 of economic development each fiscal year fifty thousand  
28 dollars from the grow Iowa values fund created in section  
29 15G.108. Moneys appropriated under this paragraph shall be  
30 used for purposes of supporting Iowa business centers in any  
31 part of the state. The department shall provide financial  
32 assistance to such offices after the department and the entity  
33 operating the center enter into a memorandum of agreement for  
34 the operation of the center.

35 Sec. 7. NEW SECTION. 15E.231 ECONOMIC DEVELOPMENT

1 REGIONS.

2 1. In order for an economic development region to receive  
3 moneys from the grow Iowa values fund created in section  
4 15G.108, an economic development region's regional development  
5 plan must be approved by the department. An economic  
6 development region shall consist of not less than three  
7 counties. An economic development region shall establish a  
8 focused economic development effort that shall include a  
9 regional development plan relating to one or more of the  
10 following areas:

11 a. Regional marketing strategies.

12 b. Development of the information solutions sector.

13 c. Development of the advanced manufacturing sector.

14 d. Development of the life sciences and biotechnology  
15 sector.

16 e. Development of the insurance or financial services  
17 sector.

18 f. Physical infrastructure including, but not limited to,  
19 horizontal infrastructure, water and sewer infrastructure, and  
20 telecommunications infrastructure.

21 g. Entrepreneurship.

22 2. An economic development region may create an economic  
23 development region revolving fund as provided in section  
24 15E.232.

25 Sec. 8. NEW SECTION. 15E.232 ECONOMIC DEVELOPMENT REGION  
26 REVOLVING FUNDS -- TAX CREDITS.

27 1. An economic development region may create an economic  
28 development region revolving fund.

29 2. a. A nongovernmental entity making a contribution to  
30 an economic development region revolving fund, except those  
31 described in paragraph "b", may claim a tax credit equal to  
32 twenty percent of the amount contributed to the revolving  
33 fund. The tax credit shall be allowed against taxes imposed  
34 in chapter 422, divisions II, III, and V, and in chapter 432,  
35 and against the moneys and credits tax imposed in section

1 533.24. An individual may claim under this subsection the tax  
2 credit of a partnership, limited liability company, S  
3 corporation, estate, or trust electing to have income taxed  
4 directly to the individual. The amount claimed by the  
5 individual shall be based upon the pro rata share of the  
6 individual's earnings from the partnership, limited liability  
7 company, S corporation, estate, or trust. Any tax credit in  
8 excess of the taxpayer's liability for the tax year may be  
9 credited to the tax liability for the following ten years or  
10 until depleted, whichever occurs first. A tax credit shall  
11 not be carried back to a tax year prior to the tax year in  
12 which the taxpayer redeems the tax credit. A tax credit under  
13 this section is not transferable.

14 b. Subject to the provisions of paragraph "c", an  
15 organization exempt from federal income tax pursuant to  
16 section 501(c) of the Internal Revenue Code making a  
17 contribution to an economic development region revolving fund,  
18 shall be paid from the general fund of the state an amount  
19 equal to twenty percent of such contributed amount within  
20 thirty days after the end of the fiscal year during which the  
21 contribution was made.

22 c. The total amount of tax credits and payments to  
23 contributors, referred to as the credit amount, authorized  
24 during a fiscal year shall not exceed two million dollars plus  
25 any unused credit amount carried over from previous years.  
26 Any credit amount which remains unused for a fiscal year may  
27 be carried forward to the succeeding fiscal year. The maximum  
28 credit amount that may be authorized in a fiscal year for  
29 contributions made to a specific economic development region  
30 revolving fund is equal to two million dollars plus any unused  
31 credit amount carried over from previous years divided by the  
32 number of economic development region revolving funds existing  
33 in the state.

34 d. The department of economic development shall administer  
35 the authorization of tax credits under this section and

1 payments to contributors described in paragraph "b" and shall,  
2 in cooperation with the department of revenue, adopt rules  
3 pursuant to chapter 17A necessary for the administration of  
4 this section.

5 3. An economic development region may apply for financial  
6 assistance from the grow Iowa values fund to assist with the  
7 installation of physical infrastructure needs including, but  
8 not limited to, horizontal infrastructure, water and sewer  
9 infrastructure, and telecommunications infrastructure, related  
10 to the development of fully served business and industrial  
11 sites by one or more of the region's economic development  
12 partners or for the installation of infrastructure related to  
13 a new business location or expansion. In order to receive  
14 financial assistance pursuant to this subsection, the economic  
15 development region must demonstrate all of the following:

16 a. The ability to provide matching moneys on a basis of a  
17 one dollar contribution of local matching moneys for every two  
18 dollars received from the grow Iowa values fund.

19 b. The commitment of the specific business partner  
20 including, but not limited to, a letter of intent defining a  
21 capital commitment or a percentage of equity.

22 c. That all other funding alternatives have been  
23 exhausted.

24 4. The department may establish and administer a regional  
25 economic development revenue sharing pilot project for one or  
26 more regions. The department shall take into consideration  
27 the geographical dispersion of the pilot projects. The  
28 department shall provide technical assistance to the regions  
29 participating in a pilot project.

30 5. An economic development region may apply for financial  
31 assistance from the grow Iowa values fund to assist an  
32 existing business threatened with closure due to a potential  
33 consolidation to an out-of-state location. The economic  
34 development region may apply for financial assistance from the  
35 grow Iowa values fund for the purchase, rehabilitation, or

1 marketing of a building that has become available due to the  
2 closing of an existing business due to a consolidation to an  
3 out-of-state location. In order to receive financial  
4 assistance under this subsection, an economic development  
5 region must demonstrate the ability to provide local matching  
6 moneys on a basis of a one dollar contribution of local moneys  
7 for every three dollars received from the grow Iowa values  
8 fund.

9 6. An economic development region may apply for financial  
10 assistance from the grow Iowa values fund to establish and  
11 operate an entrepreneurial initiative. In order to receive  
12 financial assistance under this subsection, an economic  
13 development region must demonstrate the ability to provide  
14 local matching moneys on a basis of a one dollar contribution  
15 of local moneys for every two dollars received from the grow  
16 Iowa values fund.

17 7. a. An economic development region may apply for  
18 financial assistance from the grow Iowa values fund to  
19 establish and operate a business succession assistance program  
20 for the region.

21 b. In order to receive financial assistance under this  
22 subsection, an economic development region must demonstrate  
23 the ability to provide local matching moneys on a basis of a  
24 one dollar contribution of local moneys for every two dollars  
25 received from the grow Iowa values fund.

26 8. An economic development region may apply for financial  
27 assistance from the grow Iowa values fund to implement  
28 economic development initiatives that are either unique to the  
29 region or innovative in design and implementation. In order  
30 to receive financial assistance under this subsection, an  
31 economic development region must demonstrate the ability to  
32 provide local matching moneys on a one-to-one basis.

33 9. Financial assistance under subsections 5, 6, 7, 8, and  
34 9, and section 15E.233 shall be limited to a total of two  
35 million dollars each fiscal year for the fiscal period

1 beginning July 1, 2005, and ending June 30, 2010.

2 Sec. 9. NEW SECTION. 15E.233 ECONOMIC ENTERPRISE AREAS.

3 1. An economic development region may apply to the  
4 department for approval to be designated as an economic  
5 enterprise area based on criteria provided in subsection 3.  
6 The department shall approve no more than ten regions as  
7 economic enterprise areas.

8 2. a. An approved economic enterprise area may apply to  
9 the department for financial assistance from the grow Iowa  
10 values fund for up to seven hundred fifty thousand dollars  
11 over a five-year period for any of the following purposes:

12 (1) Economic development-related strategic planning and  
13 marketing for the region as a whole.

14 (2) Economic development of fully-served business sites.

15 (3) The construction of speculative buildings on a fully  
16 served lot.

17 (4) The rehabilitation of an existing building to  
18 marketable standards.

19 b. In order to receive financial assistance under this  
20 subsection, an economic enterprise area must demonstrate the  
21 ability to provide local matching moneys on a basis of a one  
22 dollar contribution of local moneys for every three dollars  
23 received from the grow Iowa values fund.

24 3. An economic enterprise area shall consist of at least  
25 one county containing no city with a population of more than  
26 twenty-three thousand five hundred and shall meet at least two  
27 of the following criteria:

28 a. A per capita income of eighty percent or less than the  
29 national average.

30 b. A household median income of eighty percent or less  
31 than the national average.

32 c. Twenty-five percent or more of the population of the  
33 economic enterprise area with an income level of one hundred  
34 fifty percent or less of the United States poverty level as  
35 defined by the most recently revised poverty income guidelines

1 published by the United States department of health and human  
2 services.

3 d. A population density in the economic enterprise area of  
4 less than ten people per square mile.

5 e. A loss of population as shown by the 2000 certified  
6 federal census when compared with the 1990 certified federal  
7 census.

8 f. An unemployment rate greater than the national rate of  
9 unemployment.

10 g. More than twenty percent of the population of the  
11 economic enterprise area consisting of people over the age of  
12 sixty-five.

13 Sec. 10. NEW SECTION. 15E.351 BUSINESS ACCELERATORS.

14 1. The department shall establish and administer a  
15 business accelerator program to provide financial assistance  
16 for the establishment and operation of a business accelerator  
17 for technology-based, value-added agricultural, information  
18 solutions, or advanced manufacturing start-up businesses or  
19 for a satellite of an existing business accelerator. The  
20 program shall be designed to foster the accelerated growth of  
21 new and existing businesses through the provision of technical  
22 assistance. The department shall use moneys appropriated to  
23 the department from the grow Iowa values fund to provide  
24 financial assistance under this section.

25 2. In determining whether a business accelerator qualifies  
26 for financial assistance, the department must find that a  
27 business accelerator meets all of the following criteria:

28 a. The business accelerator must be a not-for-profit  
29 organization affiliated with an area chamber of commerce, a  
30 community or county organization, or economic development  
31 region.

32 b. The geographic area served by a business accelerator  
33 must include more than one county.

34 c. The business accelerator must possess the ability to  
35 provide service to a specific type of business as well as to

1 meet the broad-based needs of other types of start-up  
2 entrepreneurs.

3 d. The business accelerator must possess the ability to  
4 market business accelerator services in the region and the  
5 state.

6 e. The business accelerator must possess the ability to  
7 communicate with and cooperate with other business  
8 accelerators and similar service providers in the state.

9 f. The business accelerator must possess the ability to  
10 engage various funding sources for start-up entrepreneurs.

11 g. The business accelerator must possess the ability to  
12 communicate with and cooperate with various entities for  
13 purposes of locating suitable facilities for clients of the  
14 business accelerator.

15 h. The business accelerator must possess the willingness  
16 to accept referrals from the department of economic  
17 development.

18 3. In determining whether a business accelerator qualifies  
19 for financial assistance, the department may consider any of  
20 the following:

21 a. The business experience of the business accelerator's  
22 professional staff.

23 b. The business plan review capacity of the business  
24 accelerator's professional staff.

25 c. The business accelerator's professional staff with  
26 demonstrated disciplines in all aspects of business  
27 experience.

28 d. The business accelerator's professional staff with  
29 access to external service providers including legal,  
30 accounting, marketing, and financial services.

31 4. In order to receive financial assistance under this  
32 section, the financial assistance recipient must demonstrate  
33 the ability to provide matching moneys on a basis of a two  
34 dollar contribution of recipient moneys for every one dollar  
35 received in financial assistance.



1 program. The program shall encourage the growth of  
2 communities through the development of areas within a city or  
3 county for public and private uses related to cultural and  
4 entertainment purposes.

5 2. A city or county may create and designate a cultural  
6 and entertainment district subject to certification by the  
7 department of cultural affairs, in consultation with the  
8 department of economic development. A cultural and  
9 entertainment district is encouraged to include a unique form  
10 of transportation within the district and for transportation  
11 between the district and recreational trails. A cultural and  
12 entertainment district certification shall remain in effect  
13 for ten years following the date of certification. Two or  
14 more cities or counties may apply jointly for certification of  
15 a district that extends across a common boundary. Through the  
16 adoption of administrative rules, the department of cultural  
17 affairs shall develop a certification application for use in  
18 the certification process. The provisions of this subsection  
19 relating to the adoption of administrative rules shall be  
20 construed narrowly.

21 3. The department of cultural affairs shall encourage  
22 development projects and activities located in certified  
23 cultural and entertainment districts through incentives under  
24 cultural grant programs pursuant to section 303.3, chapter  
25 303A, and any other grant programs.

26 DIVISION VII

27 REHABILITATION PROJECT TAX CREDITS

28 Sec. 17. Section 404A.4, subsection 4, Code 2005, is  
29 amended to read as follows:

30 4. The total amount of tax credits that may be approved  
31 for a fiscal year under this chapter shall not exceed two  
32 million four hundred thousand dollars. Each fiscal year, the  
33 department of cultural affairs shall allocate at least four  
34 hundred thousand dollars worth of tax credits for  
35 rehabilitation projects which have a total project cost of

1 under two hundred thousand dollars each. For the fiscal years  
2 period beginning July 1, 2005, and ~~July 1, 2006~~ and ending  
3 June 30, 2015, an additional five-hundred-thousand four  
4 million dollars of tax credits may be approved each fiscal  
5 year for purposes of projects located in cultural and  
6 entertainment districts certified pursuant to section 303.3B.  
7 Any of the additional tax credits allocated for projects  
8 located in certified cultural and entertainment districts that  
9 are not approved during a fiscal year may be carried over to  
10 the succeeding fiscal year. The department of cultural  
11 affairs shall establish by rule the procedures for the  
12 application, review, selection, and awarding of certifications  
13 of completion. The departments of economic development,  
14 cultural affairs, and revenue shall each adopt rules to  
15 jointly administer this subsection and shall provide by rule  
16 for the method to be used to determine for which fiscal year  
17 the tax credits are available.

18 DIVISION VIII

19 COMMERCIALIZATION

20 Sec. 18. Section 262B.1, Code 2005, is amended by striking  
21 the section and inserting in lieu thereof the following:

22 262B.1 TITLE.

23 This chapter shall be known and may be cited as the  
24 "Commercialization of Research for Iowa Act".

25 Sec. 19. Section 262B.2, Code 2005, is amended by striking  
26 the section and inserting in lieu thereof the following:

27 262B.2 LEGISLATIVE INTENT.

28 It is the intent of the general assembly that the three  
29 universities under the control of the state board of regents  
30 have as part of their missions the use of their universities'  
31 expertise to expand and stimulate economic growth across the  
32 state. This activity may be accomplished through a wide  
33 variety of partnerships, public and private joint ventures,  
34 and cooperative endeavors, primarily, but not exclusively, in  
35 the area of high technology, and may result in investments by

1 the private sector for commercialization of the technology and  
2 job creation. It is imperative that whenever possible, the  
3 investments and job creation be in Iowa but need not be in the  
4 proximity of the universities. The purpose of the investments  
5 and job creation shall be to expand and stimulate Iowa's  
6 economy, increase the wealth of Iowans, and increase the  
7 population of Iowa, which may be accomplished through research  
8 conducted within the state that will competitively position  
9 Iowa on an economic basis with other states and create high-  
10 wage, high-growth employers and jobs. Accredited private  
11 universities located in the state are encouraged to  
12 incorporate the intent of this section into the mission of  
13 their universities.

14 Sec. 20. Section 262B.3, Code 2005, is amended by striking  
15 the section and inserting in lieu thereof the following:

16 262B.3 DUTIES AND RESPONSIBILITIES.

17 1. The state board of regents, as part of its mission and  
18 strategic plan, shall establish mechanisms for the purpose of  
19 carrying out the intent of this chapter. In addition to other  
20 board initiatives, the board shall work with the department of  
21 economic development, other state agencies, and the private  
22 sector to facilitate the commercialization of research.

23 2. The state board of regents, in cooperation with the  
24 department of economic development, shall implement this  
25 chapter through any of the following activities:

26 a. Developing strategies to market and disseminate  
27 information on university research for commercialization in  
28 Iowa.

29 b. Evaluating university research for commercialization  
30 potential, where relevant.

31 c. Developing a plan to improve private sector access to  
32 the university licenses and patent information and the  
33 transfer of technology from the university to the private  
34 sector.

35 d. Identifying research and technical assistance needs of

- 1 existing Iowa businesses and start-up companies and  
2 recommending ways in which the universities can meet these  
3 needs.
- 4 e. Linking research and instruction activities to economic  
5 development.
- 6 f. Reviewing and monitoring activities related to  
7 technology transfer.
- 8 g. Coordinating activities to facilitate a focus on  
9 research in the state's targeted industry clusters.
- 10 h. Surveying similar activities in other states and at  
11 other universities.
- 12 i. Establishing a single point of contact to facilitate  
13 commercialization of research.
- 14 j. Sustaining faculty and staff resources needed to  
15 implement commercialization.
- 16 k. Implementing programs to provide public recognition of  
17 university faculty and staff who demonstrate success in  
18 technology transfer and commercialization.
- 19 l. Implementing rural entrepreneurial and regional  
20 development assistance programs.
- 21 m. Providing market research ranging from early stage  
22 feasibility to extensive market research.
- 23 n. Creating real or virtual research parks that may or may  
24 not be located near universities, but with the goal of  
25 providing economic stimulus to the entire state.
- 26 o. Capacity building in key biosciences platform areas.
- 27 p. Encouraging biosciences entrepreneurship by faculty.
- 28 q. Providing matching grants for joint biosciences  
29 projects involving public and private entities.
- 30 r. Encouraging biosciences entrepreneurship by faculty  
31 using faculty research and entrepreneurship grants.
- 32 s. Pursuing bioeconomy initiatives in key platform areas  
33 as recommended by a consultant report on bioeconomy issues  
34 contracted for by the department of economic development.
- 35 Sec. 21. Sections 262B.4, 262B.5, and 262B.12, Code 2005,

1 are repealed.

2 Sec. 22. STUDIES.

3 1. The state board of regents shall conduct a study to  
4 determine the feasibility of establishing a graduate school in  
5 western Iowa in cooperation with other public or private  
6 institutions of higher learning. By December 15, 2005, the  
7 board shall submit a report to the general assembly and the  
8 governor regarding the findings and recommendations of the  
9 study.

10 2. The state board of regents shall conduct a study  
11 relating to cost-effective methods of recognizing the efforts  
12 of faculty to achieve commercialization. By December 15,  
13 2005, the board shall submit a report to the general assembly  
14 and the governor regarding the findings and recommendations of  
15 the study.

16 DIVISION IX

17 WORKFORCE TRAINING AND ECONOMIC DEVELOPMENT FUNDS

18 Sec. 23. Section 260C.18A, subsection 2, paragraph b, Code  
19 2005, is amended to read as follows:

20 b. Projects in which an agreement between a community  
21 college and a business meet all the requirements of the Iowa  
22 jobs training Act under chapter 260F. However, projects  
23 funded by moneys provided by a local workforce training and  
24 economic development fund of a community college are not  
25 subject to the maximum advance or award limitations contained  
26 in section 260F.6, subsection 2, or the allocation limitations  
27 contained in section 260F.8, subsection 1.

28 Sec. 24. Section 260C.18A, subsection 2, Code 2005, is  
29 amended by adding the following new paragraph:

30 NEW PARAGRAPH. f. Training and retraining programs for  
31 targeted industries as authorized in section 15.343,  
32 subsection 2, paragraph "a".

33 Sec. 25. Section 260C.18A, subsection 5, Code 2005, is  
34 amended by striking the subsection.

35 DIVISION X

## 1 LOAN AND CREDIT GUARANTEE PROGRAM

2 Sec. 26. Section 15E.224, subsections 1, 5, and 7, Code  
3 2005, are amended to read as follows:

4 1. The department shall establish and administer a loan  
5 and credit guarantee program. The department, pursuant to  
6 agreements with financial institutions, shall provide loan and  
7 credit guarantees, or other forms of credit guarantees for  
8 qualified businesses and targeted industry businesses for  
9 eligible project costs. The department may invest up to ten  
10 percent of the assets of the loan and credit guarantee fund,  
11 or five hundred thousand dollars, whichever is greater, to  
12 provide loan and credit guarantees or other forms of credit  
13 guarantees for eligible project costs to microenterprises  
14 located in a municipality with a population under fifty  
15 thousand that is not contiguous to a municipality with a  
16 population of fifty thousand or more. For purposes of this  
17 division, "microenterprise" means a business providing  
18 services with five or fewer full-time equivalent employee  
19 positions. A loan or credit guarantee provided under the  
20 program may stand alone or may be used in conjunction with or  
21 to enhance other loans or credit guarantees offered by  
22 private, state, or federal entities. The department may  
23 purchase insurance to cover defaulted loans meeting the  
24 requirements of the program. However, the department shall not  
25 in any manner directly or indirectly pledge the credit of the  
26 state. Eligible project costs include expenditures for  
27 productive equipment and machinery, working capital for  
28 operations and export transactions, research and development,  
29 marketing, and such other costs as the department may so  
30 designate.

31 5. The department shall adopt a loan or credit guarantee  
32 application procedure for a financial institution on behalf of  
33 a qualified business, microenterprise, or targeted industry  
34 business.

35 7. The department may adopt loan and credit guarantee

1 application procedures that allow a qualified business,  
2 microenterprise, or targeted industry business to apply  
3 directly to the department for a preliminary guarantee  
4 commitment. A preliminary guarantee commitment may be issued  
5 by the department subject to the qualified business,  
6 microenterprise, or targeted industry business securing a  
7 commitment for financing from a financial institution. The  
8 application procedures shall specify the process by which a  
9 financial institution may obtain a final loan and credit  
10 guarantee.

11 Sec. 27. Section 15E.225, subsection 3, Code 2005, is  
12 amended to read as follows:

13 3. For a preliminary guarantee commitment, the department  
14 may charge a qualified business, microenterprise, or targeted  
15 industry business a preliminary guarantee commitment fee. The  
16 application fee shall be in addition to any other fees charged  
17 by the department under this section and shall not exceed one  
18 thousand dollars for an application.

19 DIVISION XI

20 BUSINESS TAX CREDITS

21 Sec. 28. NEW SECTION. 15E.314 DEFINITIONS.

22 For purposes of this division, unless the context otherwise  
23 requires:

24 1. "Average county wage" means the average hourly wage  
25 calculated by the department which equals the lesser of the  
26 following:

27 a. The average hourly wage paid by all businesses in the  
28 entire county.

29 b. The average hourly wage paid by all businesses in the  
30 county located outside the largest city of the county.

31 c. The average hourly wage paid by all businesses other  
32 than the largest employer in the entire county.

33 2. a. "Qualified new job" means a job that meets all of  
34 the following:

35 (1) Is a new full-time job that has not existed in the

1 business within the previous twelve months in the state.

2 (2) Is filled by a new employee for at least twelve  
3 months.

4 (3) Is filled by a resident of the state.

5 (4) Is not created as a result of a change in ownership.

6 b. "Qualified new job" does not include any of the  
7 following:

8 (1) A job previously filled by the same employee in the  
9 state.

10 (2) A job that was relocated from another location in the  
11 state.

12 (3) A job that is created as a result of a consolidation,  
13 merger, or restructuring of a business entity if the job does  
14 not represent a new job in the state.

15 3. "Retained qualified new job" means the continued  
16 employment for another twelve months of the same employee in a  
17 qualified new job.

18 Sec. 29. NEW SECTION. 15E.315 INCREASED EMPLOYMENT TAX  
19 CREDIT.

20 1. a. Any nonretail business may claim a tax credit equal  
21 to a percentage of the annual wages and benefits paid for a  
22 qualified new job created by the location or expansion of the  
23 business in the state. The tax credit shall be allowed  
24 against taxes imposed under chapter 422, division II, III, or  
25 V, and chapter 432. The percentage shall be equal to the  
26 amount provided in subsection 2. Any tax credit in excess of  
27 the tax liability for the tax year may be credited to the tax  
28 liability for the following seven years or until depleted,  
29 whichever occurs first.

30 b. If the business is a partnership, S corporation,  
31 limited liability company, or estate or trust electing to have  
32 the income taxed directly to the individual, an individual may  
33 claim the tax credit allowed. The amount claimed by the  
34 individual shall be based upon the pro rata share of the  
35 individual's earnings of the partnership, S corporation,

1 limited liability company, or estate or trust.

2 2. The percentage of the wages and benefits paid for a  
3 qualified new job is determined as follows:

4 a. If the hourly wage for the qualified new job equals at  
5 least one hundred fifty percent of the average county wage,  
6 twenty percent.

7 b. If the hourly wage for the qualified new job equals at  
8 least one hundred forty percent but less than one hundred  
9 fifty percent of the average county wage, seventeen percent.

10 c. If the hourly wage for the qualified new job equals at  
11 least one hundred thirty percent but less than one hundred  
12 forty percent of the average county wage, fourteen percent.

13 d. If the hourly wage for the qualified new job equals at  
14 least one hundred twenty percent but less than one hundred  
15 thirty percent of the average county wage, eleven percent.

16 e. If the hourly wage for the qualified new job equals at  
17 least one hundred ten percent but less than one hundred twenty  
18 percent of the average county wage, eight percent.

19 f. If the hourly wage for the qualified new job equals at  
20 least one hundred percent but less than one hundred ten  
21 percent of the average county wage, five percent.

22 g. If the hourly wage for the qualified new job equals  
23 less than one hundred percent of the average county wage, zero  
24 percent.

25 3. A qualified new job is entitled to the tax credit upon  
26 the end of the twelfth month of the job having been filled.  
27 Once a qualified new job is approved for a tax credit, tax  
28 credits for the next four subsequent tax years may be approved  
29 if the job continues to be filled and application is made as  
30 provided in section 15E.316. The percentage determined under  
31 subsection 2 for the first tax year shall continue to apply to  
32 subsequent tax credits as the credits relate to that qualified  
33 new job.

34 Sec. 30. NEW SECTION. 15E.316 TAX CREDIT CERTIFICATION  
35 -- CREDIT TRANSFER.

1 1. In order for a qualified new job or retained qualified  
2 new job to be approved for an increased employment tax credit,  
3 the business shall submit an application to the department  
4 along with any other information required. Applications for  
5 approval shall be on forms approved by the department.

6 2. Upon approval of a qualified new job, a certificate of  
7 approval shall be obtained from the department. A certificate  
8 of approval shall identify the business claiming the tax  
9 credit under this division and the wage and benefit costs  
10 incurred during the previous twelve months.

11 3. After verifying the eligibility for the tax credit, the  
12 department, in consultation with the department of revenue,  
13 shall issue an increased employment tax credit certificate of  
14 approval to be attached to the person's tax return. The tax  
15 credit certificate shall contain the taxpayer's name, address,  
16 tax identification number, the date of the qualified new job,  
17 the amount of credit, other information required by the  
18 department of revenue, and a place for the name and tax  
19 identification number of a transferee and the amount of the  
20 tax credit being transferred.

21 4. The total amount of tax credits that may be approved  
22 for a fiscal year under this division shall not exceed  
23 thirteen million six thousand dollars. The department shall  
24 establish by rule the procedures for the application, review,  
25 selection, and awarding of certificates of approval. The  
26 departments of economic development and revenue shall each  
27 adopt rules to jointly administer this subsection and shall  
28 provide by rule for the method to be used to determine for  
29 which fiscal year the tax credits are available. If the  
30 approved tax credits exceed the maximum amount that may be  
31 approved for a fiscal year, each tax credit shall be prorated  
32 and the taxpayer is entitled to that prorated amount, and the  
33 taxpayer is not entitled to any unpaid portion of a tax credit  
34 and is not entitled to carry forward or backward to another  
35 tax year any unpaid portion of a tax credit.

1 5. Tax credit certificates issued under this division may  
2 be transferred to any person or entity. Within ninety days of  
3 transfer, the transferee must submit the transferred tax  
4 credit certificate to the department of economic development  
5 along with a statement containing the transferee's name, tax  
6 identification number, and address, the denomination that each  
7 replacement tax credit certificate is to carry, and any other  
8 information required by the department of revenue. Within  
9 thirty days of receiving the transferred tax credit  
10 certificate and the transferee's statement, the department of  
11 economic development shall issue one or more replacement tax  
12 credit certificates to the transferee. Each replacement  
13 certificate must contain the information required under  
14 subsection 3 and must have the same expiration date that  
15 appeared in the transferred tax credit certificate. Tax  
16 credit certificate amounts of less than the minimum amount  
17 established by rule of the department shall not be  
18 transferable. A tax credit shall not be claimed by a  
19 transferee under this division until a replacement tax credit  
20 certificate identifying the transferee as the proper holder  
21 has been issued.

22 The transferee may use the amount of the tax credit  
23 transferred against the taxes imposed under chapter 422,  
24 divisions II, III, and V, and chapter 432 for any tax year the  
25 original transferor could have claimed the tax credit. Any  
26 consideration received for the transfer of the tax credit  
27 shall not be included as income under chapter 422, divisions  
28 II, III, and V. Any consideration paid for the transfer of  
29 the tax credit shall not be deducted from income under chapter  
30 422, divisions II, III, and V.

31 Sec. 31. NEW SECTION. 15E.317 MONITORING OF JOB  
32 CREATION.

33 1. The department shall develop definitions for the terms  
34 "job creation" and "job retention" to measure and identify the  
35 number of permanent, full-time positions which businesses

1 actually create and retain and which can be documented by  
2 comparison of the payroll reports during the twenty-four-month  
3 period before and after tax credits are earned.

4 2. A nonretail business that has created a qualified new  
5 job for which a tax credit under this division is granted is  
6 eligible to receive a tax credit for each of the four  
7 subsequent tax years if the business retains the qualified new  
8 job during each of the twelve months ending in each of the tax  
9 years.

10 Sec. 32. NEW SECTION. 15E.318 OTHER INCENTIVES.

11 A nonretail business may receive other applicable federal,  
12 state, and local incentives and tax credits in addition to  
13 those provided in this division. However, a business which  
14 has received a tax credit under this division shall not  
15 receive any funds or incentives under the grow Iowa values  
16 fund, if created.

17 Sec. 33. NEW SECTION. 422.11L INCREASED EMPLOYMENT TAX  
18 CREDIT.

19 The taxes imposed under this division, less the credits  
20 allowed under sections 422.12 and 422.12B, shall be reduced by  
21 an increased employment tax credit authorized pursuant to  
22 section 15E.315.

23 Sec. 34. Section 422.33, Code 2005, is amended by adding  
24 the following new subsection:

25 NEW SUBSECTION. 18. The taxes imposed under this division  
26 shall be reduced by an increased employment tax credit  
27 authorized pursuant to section 15E.315.

28 Sec. 35. Section 422.60, Code 2005, is amended by adding  
29 the following new subsection:

30 NEW SUBSECTION. 10. The taxes imposed under this division  
31 shall be reduced by an increased employment tax credit  
32 authorized pursuant to section 15E.315.

33 Sec. 36. NEW SECTION. 432.12G INCREASED EMPLOYMENT TAX  
34 CREDIT.

35 The taxes imposed under this chapter shall be reduced by an

1 increased employment tax credit authorized pursuant to section  
2 15E.315.

3 Sec. 37. EFFECTIVE AND APPLICABILITY DATE. This division  
4 of this Act, being deemed of immediate importance, takes  
5 effect upon enactment and applies to qualified new jobs  
6 created on or after the effective date of this division of  
7 this Act. This division of this Act applies to tax years  
8 ending on or after the effective date of this division of this  
9 Act.

10

EXPLANATION

11 This bill relates to economic development activities.

12 DIVISION I -- This division of the bill creates the grow  
13 Iowa values fund.

14 The division creates the grow Iowa values fund under the  
15 control of the department of economic development and  
16 consisting of moneys appropriated to the fund.

17 DIVISION II -- This division of the bill appropriates  
18 moneys from the grow Iowa values fund to various entities.

19 For the fiscal period beginning July 1, 2005, and ending  
20 June 30, 2015, the division appropriates each fiscal year to  
21 the department of economic development \$35 million for  
22 programs administered by the department of economic  
23 development. The division provides for the allocation of  
24 moneys appropriated for programs administered by the  
25 department and for the use up to 1 and 1/2 percent of the  
26 moneys appropriated to be used by the department for  
27 administrative purposes.

28 For the fiscal period beginning July 1, 2005, and ending  
29 June 30, 2015, the division appropriates each fiscal year to  
30 the department of economic development \$5 million for  
31 financial assistance for institutions of higher learning under  
32 the control of the state board of regents and for accredited  
33 private institutions for infrastructure projects and programs  
34 needed to assist in the implementation of activities under  
35 Code chapter 262B and for financial assistance to a single

1 biosciences development organization.

2 For the fiscal period beginning July 1, 2005, and ending  
3 June 30, 2015, the division appropriates each fiscal year to  
4 the general fund of the state \$4 million for payment of tax  
5 credits approved for projects located in certified cultural  
6 and entertainment districts.

7 For the fiscal period beginning July 1, 2005, and ending  
8 June 30, 2015, the division appropriates each fiscal year to  
9 the department of economic development \$1 million for purposes  
10 of providing financial assistance for projects in targeted  
11 state parks and destination parks.

12 For the fiscal period beginning July 1, 2005, and ending  
13 June 30, 2015, the division appropriates each fiscal year to  
14 the office of the treasurer of state \$1 million for deposit in  
15 the Iowa cultural trust fund.

16 For the fiscal period beginning July 1, 2005, and ending  
17 June 30, 2015, the division appropriates each fiscal year to  
18 the department of economic development \$7 million for deposit  
19 into the workforce training and economic development funds of  
20 the community colleges.

21 For the fiscal period beginning July 1, 2005, and ending  
22 June 30, 2015, the division appropriates each fiscal year to  
23 the general fund of the state \$400,000 for payment of endow  
24 Iowa tax credits.

25 For the fiscal period beginning July 1, 2005, and ending  
26 June 30, 2015, the division appropriates each fiscal year to  
27 the department of economic development \$1 million for  
28 providing economic development region financial assistance.

29 For the fiscal period beginning July 1, 2005, and ending  
30 June 30, 2015, the division appropriates each fiscal year to  
31 the general fund of the state \$2 million for payment of  
32 economic development region revolving fund contribution tax  
33 credits.

34 The division provides that moneys that remain unexpended at  
35 the end of a fiscal year shall not revert to any fund but

1 shall remain available for expenditure for the designated  
2 purposes during the succeeding fiscal year.

3 DIVISION III -- This division of the bill amends the Iowa  
4 economic development board provisions. The bill also provides  
5 areas of expertise that must be represented on the board by at  
6 least one member each. The bill requires, as part of the  
7 organizational structure of the department, that the board  
8 establish a due diligence committee and a loan and credit  
9 guarantee committee composed of members of the board. The  
10 bill provides composition requirements for a transitional  
11 period for the board beginning July 1, 2005, and ending June  
12 30, 2006. The bill provides annual reporting requirements for  
13 the board relating to expenditures under the grow Iowa values  
14 fund.

15 DIVISION IV -- This division of the bill requires the  
16 department of economic development to coordinate all  
17 regulatory assistance for the state of Iowa. Each state  
18 agency administering regulatory programs for business shall  
19 maintain a coordinator within the agency. The division  
20 provides that the department of economic development shall, in  
21 consultation with the coordinators, examine, and to the extent  
22 permissible, assist in the implementation of methods,  
23 including the possible establishment of an electronic  
24 database, to streamline the process for issuing permits to  
25 business. The division was previously enacted in 2003 and  
26 then was stricken pursuant to Rants v. Vilsack, 684 N.W.2d  
27 193.

28 DIVISION V -- This division of the bill relates to Iowa  
29 business centers, business accelerators, and economic  
30 development regions, and provides for a tax credit.

31 The bill requires the department of economic development to  
32 establish an Iowa business center program for purposes of  
33 locating Iowa business centers in the state. The bill  
34 provides that the department shall partner with another entity  
35 focusing on economic growth to establish a center. The bill

1 provides that operational duties for a center shall be  
2 determined pursuant to a memorandum of agreement. For the  
3 fiscal period beginning July 1, 2005, and ending June 30,  
4 2015, the bill appropriates \$50,000 each fiscal year from the  
5 rural enterprise fund to the department for purposes of  
6 supporting centers in rural areas of the state. For the  
7 fiscal period beginning July 1, 2005, and ending June 30,  
8 2015, the bill appropriates \$50,000 each fiscal year from the  
9 grow Iowa values fund to the department for purposes of  
10 supporting centers in any part of the state.

11 The division provides for the creation of economic  
12 development regions. A regional development plan must be  
13 approved by the department of economic development before the  
14 region may receive moneys from the grow Iowa values fund.  
15 Such regions may create economic development region revolving  
16 funds.

17 The division provides that a nongovernmental entity making  
18 a contribution to an economic development region revolving  
19 fund may claim a tax credit equal to 20 percent of the amount  
20 contributed to the revolving fund. The tax credit is allowed  
21 against personal and corporate income tax, the franchise tax  
22 for financial institutions, the insurance premium tax, and the  
23 moneys and credits tax for credit unions. The division allows  
24 an organization exempt from federal income tax pursuant to  
25 section 501(c) of the Internal Revenue Code making a  
26 contribution to an economic development region revolving fund  
27 to be paid from the general fund of the state an amount equal  
28 to 20 percent of such contributed amount within 30 days after  
29 the end of the fiscal year during which the contribution was  
30 made. The total amount of tax credits and payments to  
31 contributors, referred to as the credit amount, authorized  
32 during a fiscal year shall not exceed \$2 million plus any  
33 unused credit amount carried over from previous years. The  
34 division provides that any credit amount which remains unused  
35 for a fiscal year may be carried forward to the succeeding

1 fiscal year. The division provides that the maximum credit  
2 amount that may be authorized in a fiscal year for  
3 contributions made to a specific economic development region  
4 revolving fund is equal to \$2 million plus any unused credit  
5 amount carried over from previous years divided by the number  
6 of economic development region revolving funds existing in the  
7 state.

8 The division provides that an economic development region  
9 may apply for financial assistance from the grow Iowa values  
10 fund to assist with physical infrastructure needs related to a  
11 specific business partner, to assist an existing business  
12 located in the region impacted by business consolidation  
13 actions, to implement economic development initiatives unique  
14 to the region, to implement innovative initiatives that do not  
15 otherwise qualify for financial assistance, to establish and  
16 operate an entrepreneurial initiative, and to establish and  
17 operate a business succession assistance program. The  
18 division allows the department to establish and administer a  
19 regional economic development revenue sharing pilot project  
20 for one or more regions. The division limits financial  
21 assistance to economic development regions to a total of \$2  
22 million each fiscal year for the fiscal period beginning July  
23 1, 2005, and ending June 30, 2010.

24 The division allows an economic development region to apply  
25 to the department for approval to be designated as an economic  
26 enterprise area based on criteria as determined by the  
27 department. An economic enterprise area must consist of at  
28 least one county containing no city with a population of more  
29 than 23,500 meeting other certain distress criteria. The  
30 division limits the number of economic enterprise areas to 10  
31 regions. The division provides that an approved economic  
32 enterprise area may apply for financial assistance from the  
33 grow Iowa values fund of up to \$750,000 over a five-year  
34 period for certain economic development-related purposes for  
35 the area.

1 The bill requires the department of economic development to  
2 establish and administer a business accelerator program to  
3 provide financial assistance for the establishment and  
4 operation of a business accelerator for technology-based,  
5 value-added agricultural, information solutions, or advanced  
6 manufacturing start-up businesses or for a satellite of an  
7 existing business accelerator. The bill provides certain  
8 criteria that a business accelerator must meet in order to  
9 receive financial assistance and other criteria that the  
10 department may consider in determining financial assistance  
11 awards.

12 DIVISION VI -- This division of the bill relates to the  
13 establishment of cultural and entertainment districts. The  
14 cultural and entertainment district legislation was previously  
15 enacted in 2003 and then stricken pursuant to *Rants v.*  
16 *Vilsack*, 684 N.W.2d 193. The division allows a city or county  
17 to create and designate a district subject to certification by  
18 the department of cultural affairs, in consultation with the  
19 department of economic development. The division provides  
20 that a district is encouraged to include a unique form of  
21 transportation within the district.

22 The division provides that district certification is for a  
23 period of 10 years and allows for the certification of areas  
24 that extend across boundaries of cities and counties. The  
25 division provides that the department of cultural affairs  
26 shall encourage development projects and activities located in  
27 certified cultural and entertainment districts through  
28 incentives under cultural grant programs and any other grant  
29 programs.

30 DIVISION VII -- This division of the bill relates to  
31 rehabilitation project tax credits. The bill provides that,  
32 each fiscal year, the department of cultural affairs shall  
33 allocate at least \$400,000 of the tax credits for  
34 rehabilitation projects which have a total cost of under  
35 \$200,000 each. The division provides that, for the fiscal

1 period beginning July 1, 2005, and ending June 30, 2015, an  
2 additional \$4 million of the rehabilitation tax credits may be  
3 approved each fiscal year for purposes of projects located in  
4 certified cultural and entertainment districts.

5 DIVISION VIII -- This division of the bill repeals and  
6 strikes current Code chapter 262B and replaces it with  
7 provisions relating to commercialization of research.

8 The bill requires that the state board of regents, as part  
9 of its mission and strategic plan, establish mechanisms for  
10 the purpose of carrying out commercialization activities. The  
11 bill requires the board to work with the department of  
12 economic development, other state agencies, and the private  
13 sector to facilitate the commercialization of research. The  
14 board, in cooperation with the department of economic  
15 development, is required to implement various  
16 commercialization-related activities.

17 The bill requires the state board of regents to conduct a  
18 study to determine the feasibility of establishing a graduate  
19 school in western Iowa in cooperation with other public or  
20 private institutions of higher learning. The bill requires  
21 the board to conduct a study relating to cost-effective  
22 methods of recognizing the efforts of faculty to achieve  
23 commercialization.

24 DIVISION IX -- This division of the bill relates to  
25 workforce training and economic development funds.

26 The bill provides that projects funded by moneys provided  
27 by a local workforce training and economic development fund of  
28 a community college and which meet the requirements of Code  
29 chapter 260F are not subject to certain maximum advance or  
30 award limitations contained in Code chapter 260F. The bill  
31 provides that moneys in a local workforce training and  
32 economic development fund may also be used for training and  
33 retraining programs for targeted industries. The bill strikes  
34 the June 30, 2010, repeal of the workforce training and  
35 economic development funds.

1 DIVISION X -- This division of the bill relates to the loan  
2 and credit guarantee program.

3 The bill provides that the department of economic  
4 development may invest up to 10 percent of the assets of the  
5 loan and credit guarantee fund, or \$500,000, whichever is  
6 greater, to provide loan and credit guarantees or other forms  
7 of credit guarantees for eligible project costs to  
8 microenterprises located in a municipality with a population  
9 under 50,000 that is not contiguous to a municipality with a  
10 population of 50,000 or more. The bill defines a  
11 microenterprise as a business providing services with five or  
12 fewer full-time equivalent employee positions.

13 DIVISION XI -- This division of the bill provides increased  
14 employment tax credits under the individual and corporate  
15 income taxes, franchise tax, and insurance premiums tax. The  
16 amount of the tax credit equals a percentage of the wages and  
17 benefits paid in the previous 12 months to the employee in a  
18 qualified new job. The percentage varies with the maximum  
19 being 20 percent if the hourly wage paid to the new employee  
20 is at least 150 percent of the average county wage and the  
21 minimum being 5 percent if the hourly wage equals the average  
22 county wage. No tax credit is granted if the hourly wage is  
23 less than the average county wage. The average county wage is  
24 calculated by the department of economic development and  
25 equals the lesser of the average county hourly wage paid by  
26 all businesses and the average county hourly wage paid by all  
27 businesses excluding businesses in the largest city or the  
28 largest employer.

29 A qualified new job is not created if it involves the  
30 rehiring of previously laid-off employees or results from a  
31 relocation from another place in Iowa or a merger of  
32 businesses located in Iowa.

33 Once a tax credit is granted for new employment, the  
34 business may continue to receive for up to the next four tax  
35 years a tax credit for retaining that new employee. The

1 business must reapply each year and establish by rule of the  
2 department of economic development that it has retained the  
3 new employee.

4 The division provides that a maximum of \$13.006 million in  
5 tax credits are to be awarded in a fiscal year. If there are  
6 more claims for tax credits than the \$13.006 million, each  
7 claim will be reduced on a pro rata basis and that is all that  
8 may be claimed by the taxpayer. The amount not awarded cannot  
9 be carried forward. However, once a taxpayer has been awarded  
10 the tax credit, if the credit exceeds the tax liability, the  
11 excess may be carried forward up to seven years.

12 The division provides that retail businesses are not  
13 eligible to receive tax credits for increased employment. The  
14 tax credits may be transferred.

15 The division takes effect upon enactment and applies to  
16 qualified new jobs created on or after the enactment date.

17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

Hoffman / D. Olson Chr/ Co-Chr.

Jenkins  
Soderberg  
Thomas  
Struyk  
Schickel  
Wise  
Dandekar  
Reichert

SUC  
SF/10194

HSB 137  
ECONOMIC GROWTH

HOUSE FILE \_\_\_\_\_

BY (PROPOSED COMMITTEE ON  
ECONOMIC GROWTH BILL BY  
CHAIRPERSON HOFFMAN)

Passed House, Date \_\_\_\_\_

Passed Senate, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to economic development activities by creating  
2 the grow Iowa values fund, increasing the number of members on  
3 the Iowa economic development board, allowing the creation of  
4 economic development regions, authorizing the certification of  
5 and development of cultural districts, requiring coordination  
6 of regulatory assistance, providing tax credits, and making  
7 appropriations.

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

9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

DIVISION I

GROW IOWA VALUES FUND

Section 1. NEW SECTION. 15G.108 GROW IOWA VALUES FUND.

A grow Iowa values fund is created in the state treasury under the control of the department of economic development consisting of moneys appropriated to the department. Moneys in the fund are not subject to section 8.33. Notwithstanding section 12C.7, interest or earnings on moneys in the fund shall be credited to the fund. The fund shall be administered by the department, which shall make expenditures from the fund consistent with this chapter and pertinent Acts of the general assembly. Any financial assistance provided using moneys from the fund may be provided over a period of time of more than one year. Payments of interest, repayments of moneys loaned pursuant to this chapter, and recaptures of grants or loans shall be deposited in the fund.

DIVISION II

APPROPRIATIONS

Sec. 2. NEW SECTION. 15G.111 APPROPRIATIONS.

1. a. For the fiscal period beginning July 1, 2005, and ending June 30, 2010, there is appropriated each fiscal year from the grow Iowa values fund created in section 15G.108 to the department of economic development sixty million dollars for programs administered by the department of economic development.
- b. Each year that moneys are appropriated under this subsection, the department shall allocate a percentage of the moneys for each of the following types of activities:
- (1) Business start-ups.
  - (2) Business expansion.
  - (3) Business modernization.
  - (4) Business attraction.
  - (5) Business retention.
  - (6) Marketing.
  - (7) Research and development.

1 c. The department shall require an applicant for moneys  
2 appropriated under this subsection to include in the  
3 application a statement regarding the intended return on  
4 investment. A recipient of moneys appropriated under this  
5 subsection shall annually submit a statement to the department  
6 regarding the progress achieved on the intended return on  
7 investment stated in the application. The department, in  
8 cooperation with the department of revenue, shall develop a  
9 method of identifying and tracking each new job created  
10 through financial assistance from moneys appropriated under  
11 this subsection. The department of economic development shall  
12 identify research and development activities funded through  
13 financial assistance from not more than ten percent of the  
14 moneys appropriated under this subsection, and, instead of  
15 determining return on investment and job creation for the  
16 identified funding, determine the potential impact on the  
17 state's economy.

18 d. The department may use moneys appropriated under this  
19 subsection to procure technical assistance from either the  
20 public or private sector, for information technology purposes,  
21 and for rail, air, or river port transportation-related  
22 purposes. The use of moneys appropriated for rail, air, or  
23 river port transportation-related purposes must be directly  
24 related to an economic development project and the moneys must  
25 be used to leverage other financial assistance moneys.

26 e. Of the moneys appropriated under this subsection, the  
27 department may use one and one-half percent for administrative  
28 purposes.

29 f. The Iowa economic development board shall approve or  
30 deny applications for financial assistance provided with  
31 moneys appropriated under this subsection.

32 g. It is the policy of this state to expand and stimulate  
33 the state economy by advancing, promoting, and expanding  
34 biotechnology industries in this state. To implement this  
35 policy, the Iowa economic development board shall consider

1 providing assistance to projects that increase value-added  
2 income to individuals or organizations involved in  
3 agricultural business or biotechnology projects. Such a  
4 project need not create jobs specific to the project site;  
5 however, such a project must foster the knowledge and  
6 creativity necessary to promote the state's agricultural  
7 economy and to increase employment in urban and rural areas as  
8 a result.

9 2. a. For the fiscal period beginning July 1, 2005, and  
10 ending June 30, 2010, there is appropriated each fiscal year  
11 from the grow Iowa values fund created in section 15G.108 to  
12 the department of economic development fourteen million  
13 dollars for the financial assistance for the following:

14 (1) Institutions of higher learning under the control of  
15 the state board of regents and for accredited private  
16 institutions as defined in section 261.9 for multiuse, goods  
17 manufacturing processes approved by the food and drug  
18 administration of the United States department of health and  
19 human services, protein purification facilities for plant,  
20 animal, and chemical manufactured proteins.

21 (2) Accelerating new business creation.

22 (3) Innovation accelerators and business parks.

23 (4) Incubator facilities.

24 (5) Upgrading food and drug administration drug approval  
25 laboratories in Iowa City to a larger multiclient, goods  
26 manufacturing processes facility.

27 (6) Crop and animal livestock facilities for the growing  
28 of transgenic crops and livestock, protein extraction  
29 facilities, containment facilities, and bioanalytical,  
30 biochemical, chemical, and microbiological support facilities.

31 (7) A national center for food safety and security.

32 (8) Advanced laboratory space.

33 b. In the distribution of moneys appropriated pursuant to  
34 this subsection, the department shall examine the potential  
35 for using moneys appropriated pursuant to this subsection to

1 leverage other moneys for financial assistance to accredited  
2 private institutions.

3 c. In awarding moneys appropriated pursuant to this  
4 subsection, the department shall consider whether the purchase  
5 of suitable existing infrastructure is more cost-efficient  
6 than building new infrastructure.

7 d. An institution of higher learning under the control of  
8 the state board of regents may apply to use financial  
9 assistance moneys under this subsection for purposes of a  
10 public and private joint venture to acquire infrastructure  
11 assets or research facilities or to leverage moneys.

12 e. Of the moneys appropriated under this subsection over  
13 the fiscal period and provided applications are submitted  
14 meeting the requirements of the department, not less than  
15 twenty-eight million dollars in financial assistance shall be  
16 awarded to the university of Iowa, not less than thirty-four  
17 million dollars in financial assistance shall be awarded to  
18 Iowa state university of science and technology, and not less  
19 than eight million dollars in financial assistance shall be  
20 awarded to the university of northern Iowa.

21 3. For the fiscal period beginning July 1, 2005, and  
22 ending June 30, 2010, there is appropriated each fiscal year  
23 from the grow Iowa values fund created in section 15G.108 to  
24 the general fund of the state four million dollars for payment  
25 of tax credits approved pursuant to section 404A.4 for  
26 projects located in certified cultural and entertainment  
27 districts.

28 4. For the fiscal period beginning July 1, 2005, and  
29 ending June 30, 2010, there is appropriated each fiscal year  
30 from the grow Iowa values fund created in section 15G.108 to  
31 the department of economic development one million six hundred  
32 thousand dollars for purposes of providing financial  
33 assistance for projects in targeted state parks and  
34 destination parks. The department of natural resources shall  
35 submit a plan to the department of economic development for

1 the expenditure of moneys appropriated under this subsection.  
2 The plan shall focus on improving state parks and destination  
3 parks for economic development purposes. Based on the report  
4 submitted, the department of economic development shall  
5 provide financial assistance to the department of natural  
6 resources for support of state parks and destination parks.

7 5. For the fiscal period beginning July 1, 2005, and  
8 ending June 30, 2010, there is appropriated each fiscal year  
9 from the grow Iowa values fund created in section 15G.108 to  
10 the office of the treasurer of state one million six hundred  
11 thousand dollars for deposit in the Iowa cultural trust fund  
12 created in section 303A.4.

13 6. For the fiscal period beginning July 1, 2005, and  
14 ending June 30, 2010, there is appropriated each fiscal year  
15 from the grow Iowa values fund created in section 15G.108 to  
16 the department of economic development fourteen million  
17 dollars for deposit into the workforce training and economic  
18 development funds of the community colleges created pursuant  
19 to section 260C.18A.

20 7. For the fiscal period beginning July 1, 2005, and  
21 ending June 30, 2010, there is appropriated each fiscal year  
22 from the grow Iowa values fund created in section 15G.108 to  
23 the department of economic development four hundred thousand  
24 dollars for endow Iowa grants to lead philanthropic entities  
25 pursuant to section 15E.304.

26 8. For the fiscal period beginning July 1, 2005, and  
27 ending June 30, 2010, there is appropriated each fiscal year  
28 from the grow Iowa values fund created in section 15G.108 to  
29 the general fund of the state four hundred thousand dollars  
30 for payment of endow Iowa tax credits approved pursuant to  
31 section 15E.305.

32 9. For the fiscal period beginning July 1, 2005, and  
33 ending June 30, 2010, there is appropriated each fiscal year  
34 from the grow Iowa values fund created in section 15G.108 to  
35 the department of economic development two million dollars for

1 providing economic development region financial assistance  
2 under section 15E.232, subsections 3, 4, 5, and 6, and under  
3 section 15E.233.

4 10. For the fiscal period beginning July 1, 2005, and  
5 ending June 30, 2010, there is appropriated each fiscal year  
6 from the grow Iowa values fund created in section 15G.108 to  
7 the general fund of the state two million dollars for payment  
8 of economic development region revolving fund contribution tax  
9 credits approved pursuant to section 15E.232.

10 11. Notwithstanding section 8.33, moneys that remain  
11 unexpended at the end of a fiscal year shall not revert to any  
12 fund but shall remain available for expenditure for the  
13 designated purposes during the succeeding fiscal year.

14 DIVISION III

15 IOWA ECONOMIC DEVELOPMENT BOARD

16 Sec. 3. Section 15.103, Code 2005, is amended to read as  
17 follows:

18 15.103 ECONOMIC DEVELOPMENT BOARD.

19 1. a. The Iowa economic development board is created,  
20 consisting of ~~eleven~~ seventeen voting members appointed by the  
21 governor and seven ex officio nonvoting members. The ex  
22 officio nonvoting members are four legislative members; one  
23 president, or the president's designee, of the university of  
24 northern Iowa, the university of Iowa, or Iowa state  
25 university of science and technology designated by the state  
26 board of regents on a rotating basis; and one president, or  
27 the president's designee, of a private college or university  
28 appointed by the Iowa association of independent colleges and  
29 universities; and one superintendent, or the superintendent's  
30 designee, of a community college, appointed by the Iowa  
31 association of community college presidents. The legislative  
32 members are two state senators, one appointed by the president  
33 of the senate, after consultation with the majority leader of  
34 the senate, and one appointed by the minority leader of the  
35 senate, after consultation with the president of the senate,

1 from their respective parties; and two state representatives,  
2 one appointed by the speaker and one appointed by the minority  
3 leader of the house of representatives from their respective  
4 parties. Not more than ~~six~~ nine of the voting members shall  
5 be from the same political party. The secretary of  
6 agriculture or the secretary's designee shall be one of the  
7 voting members. The governor shall appoint the remaining ~~ten~~  
8 sixteen voting members of the board for a term of four years  
9 beginning and ending as provided by section 69.19, subject to  
10 confirmation by the senate, and the governor's appointments  
11 shall include persons knowledgeable of the various elements of  
12 the department's responsibilities.

13 b. Each of the following areas of expertise shall be  
14 represented by at least one member of the board who has  
15 professional experience in that area of expertise:

- 16 (1) Finance and investment banking.
- 17 (2) Advanced manufacturing.
- 18 (3) Statewide agriculture.
- 19 (4) Life sciences.
- 20 (5) Small business development.
- 21 (6) Information technology.
- 22 (7) Economics.
- 23 (8) Labor.
- 24 (9) Marketing.
- 25 (10) Entrepreneurship.

26 c. At least nine voting members of the board shall be  
27 actively employed in the private, for-profit sector of the  
28 economy.

29 2. A vacancy on the board shall be filled in the same  
30 manner as regular appointments are made for the unexpired  
31 portion of the regular term.

32 3. The board shall meet in May of each year for the  
33 purpose of electing one of its voting members as chairperson  
34 and one of its voting members as vice chairperson. However,  
35 the chairperson and the vice chairperson shall not be from the

1 same political party. The board shall meet at the call of the  
2 chairperson or when any ~~six~~ nine members of the board file a  
3 written request with the chairperson for a meeting. Written  
4 notice of the time and place of each meeting shall be given to  
5 each member of the board. A majority of the voting members  
6 constitutes a quorum.

7 4. Members of the board, the director, and other employees  
8 of the department shall be allowed their actual and necessary  
9 expenses incurred in the performance of their duties. All  
10 expenses shall be paid from appropriations for those purposes  
11 and the department is subject to the budget requirements of  
12 chapter 8. Each member of the board may also be eligible to  
13 receive compensation as provided in section 7E.6.

14 5. If a member of the board has an interest, either direct  
15 or indirect, in a contract to which the department is or is to  
16 be a party, the interest shall be disclosed to the board in  
17 writing and shall be set forth in the minutes of a meeting of  
18 the board. The member having the interest shall not  
19 participate in action by the board with respect to the  
20 contract. This paragraph does not limit the right of a member  
21 of the board to acquire an interest in bonds, or limit the  
22 right of a member to have an interest in a bank or other  
23 financial institution in which the funds of the department are  
24 deposited or which is acting as trustee or paying agent under  
25 a trust indenture to which the department is a party.

26 Sec. 4. Section 15.104, Code 2005, is amended by adding  
27 the following new subsection:

28 NEW SUBSECTION. 9. Prepare an annual report regarding the  
29 expenditure of moneys appropriated from the grow Iowa values  
30 fund created in section 15G.108. The report shall evaluate  
31 the effectiveness of the expenditures for the prior calendar  
32 year in stimulating the state economy, increasing the wealth  
33 of Iowans, and increasing the population of the state. The  
34 report shall also include a listing both by geographic area  
35 and by community size of the expenditures of moneys

1 appropriated from the grow Iowa values fund. By February 1 of  
2 each year, the report shall be submitted to the governor and  
3 the general assembly.

4 Sec. 5. APPOINTMENTS DURING BIPARTISAN CONTROL.

5 Appointments of general assembly members of the Iowa economic  
6 development board which are to be made by the president of the  
7 senate or by the majority or minority leader of the senate  
8 during the period that the senate for the Eighty-First General  
9 Assembly is composed of an equal number of members of each  
10 major political party, shall be made jointly by the co-  
11 presidents or co-floor leaders, as appropriate, in accordance  
12 with Senate Resolution 1, adopted during the 2005 legislative  
13 session.

14 DIVISION IV

15 REGULATORY ASSISTANCE

16 Sec. 6. NEW SECTION. 15E.19 REGULATORY ASSISTANCE.

17 1. The department of economic development shall coordinate  
18 all regulatory assistance for the state of Iowa. Each state  
19 agency administering regulatory programs for business shall  
20 maintain a coordinator within the office of the director or  
21 the administrative division of the state agency. Each  
22 coordinator shall do all of the following:

23 a. Serve as the state agency's primary contact for  
24 regulatory affairs with the department of economic  
25 development.

26 b. Provide information regarding regulatory requirements  
27 to businesses and represent the state agency to the private  
28 sector.

29 c. Monitor permit applications and provide timely permit  
30 status information to the department of economic development.

31 d. Require regulatory staff participation in negotiations  
32 and discussions with businesses.

33 e. Notify the department of economic development regarding  
34 proposed rulemaking activities that impact a regulatory  
35 program and any subsequent changes to a regulatory program.



1 REVOLVING FUNDS -- TAX CREDITS.

2 1. An economic development region approved pursuant to  
3 section 15E.231 may create an economic development region  
4 revolving fund.

5 2. a. A nongovernmental entity making a contribution to  
6 an economic development region revolving fund, except those  
7 described in paragraph "b", may claim a tax credit equal to  
8 twenty percent of the amount contributed to the revolving  
9 fund. The tax credit shall be allowed against taxes imposed  
10 in chapter 422, divisions II, III, and V, and in chapter 432,  
11 and against the moneys and credits tax imposed in section  
12 533.24. An individual may claim under this subsection the tax  
13 credit of a partnership, limited liability company, S  
14 corporation, estate, or trust electing to have income taxed  
15 directly to the individual. The amount claimed by the  
16 individual shall be based upon the pro rata share of the  
17 individual's earnings from the partnership, limited liability  
18 company, S corporation, estate, or trust. Any tax credit in  
19 excess of the taxpayer's liability for the tax year may be  
20 credited to the tax liability for the following seven years or  
21 until depleted, whichever occurs first. A tax credit shall  
22 not be carried back to a tax year prior to the tax year in  
23 which the taxpayer redeems the tax credit. A tax credit under  
24 this section is not transferable.

25 b. Subject to the provisions of paragraph "c", an  
26 organization exempt from federal income tax pursuant to  
27 section 501(c) of the Internal Revenue Code making a  
28 contribution to an economic development region revolving fund,  
29 shall be paid from the general fund of the state an amount  
30 equal to twenty percent of such contributed amount within  
31 thirty days after the end of the fiscal year during which the  
32 contribution was made.

33 c. The total amount of tax credits and payments to  
34 contributors, referred to as the credit amount, authorized  
35 during a fiscal year shall not exceed two million dollars plus

1 any unused credit amount carried over from previous years.  
2 Any credit amount which remains unused for a fiscal year may  
3 be carried forward to the succeeding fiscal year. The maximum  
4 credit amount that may be authorized in a fiscal year for  
5 contributions made to a specific economic development region  
6 revolving fund is equal to two million dollars plus any unused  
7 credit amount carried over from previous years divided by the  
8 number of economic development region revolving funds existing  
9 in the state.

10 d. The department of economic development shall administer  
11 the authorization of tax credits under this section and  
12 payments to contributors described in paragraph "b" and shall,  
13 in cooperation with the department of revenue, adopt rules  
14 pursuant to chapter 17A necessary for the administration of  
15 this section.

16 3. An approved economic development region may apply for  
17 financial assistance from the grow Iowa values fund to assist  
18 with physical infrastructure needs related to a specific  
19 business partner. In order to receive financial assistance  
20 pursuant to this subsection, the economic development region  
21 must demonstrate all of the following:

22 a. The ability to provide matching moneys on a one to one  
23 basis.

24 b. The commitment of the specific business partner.

25 c. That all other funding alternatives have been  
26 exhausted.

27 4. An approved economic development region may apply for  
28 financial assistance from the grow Iowa values fund to assist  
29 an existing business located in the economic development  
30 region impacted by business consolidation actions. Business  
31 consolidation actions include a substantial or total closure  
32 of an existing business due to consolidating the existing  
33 business out of state. In order to receive financial  
34 assistance pursuant to this subsection, the economic  
35 development region must demonstrate the ability to provide

1 matching moneys on a one-to-one basis.

2 5. An approved economic development region may apply for  
3 financial assistance from the grow Iowa values fund to  
4 implement economic development initiatives unique to the  
5 region. In order to receive financial assistance pursuant to  
6 this subsection, the economic development region must  
7 demonstrate the ability to provide matching moneys on a one-  
8 to-one basis.

9 6. An approved economic development region may apply for  
10 financial assistance from the grow Iowa values fund to  
11 implement innovative initiatives that do not qualify for  
12 assistance under subsection 5.

13 7. The department may establish and administer a regional  
14 economic development revenue sharing pilot project for one or  
15 more regions. The department shall take into consideration  
16 the geographical dispossession of the pilot projects. The  
17 department shall provide technical assistance to the regions  
18 participating in a pilot project.

19 8. Financial assistance under subsections 3, 4, 5, and 6  
20 and section 15E.233 shall be limited to a total of two million  
21 dollars each fiscal year for the fiscal period beginning July  
22 1, 2005, and ending June 30, 2010.

23 **Sec. 9. NEW SECTION. 15E.233 ECONOMICALLY ISOLATED**  
24 **AREAS.**

25 1. An approved economic development region may apply to  
26 the department for approval to be designated as an  
27 economically isolated area based on criteria as determined by  
28 the department. An economically isolated area must consist of  
29 at least one county meeting the county distress criteria  
30 provided in section 15E.194. The department shall approve no  
31 more than five regions as economically isolated areas.

32 2. An approved economically isolated area may apply to the  
33 department for financial assistance from the grow Iowa values  
34 fund of up to seven hundred fifty thousand dollars over a  
35 five-year period for purposes of economic development-related

1 marketing assistance for the area. In order to receive  
2 financial assistance pursuant to this subsection, the  
3 economically isolated area must demonstrate the ability to  
4 provide matching moneys on a one-to-one basis.

5 Sec. 10. NEW SECTION. 422.11K ECONOMIC DEVELOPMENT  
6 REGION REVOLVING FUND TAX CREDIT.

7 The taxes imposed under this division, less the credits  
8 allowed under sections 422.12 and 422.12B, shall be reduced by  
9 an economic development region revolving fund contribution tax  
10 credit authorized pursuant to section 15E.232.

11 Sec. 11. Section 422.33, Code 2005, is amended by adding  
12 the following new subsection:

13 NEW SUBSECTION. 17. The taxes imposed under this division  
14 shall be reduced by an economic development region revolving  
15 fund contribution tax credit authorized pursuant to section  
16 15E.232.

17 Sec. 12. Section 422.60, Code 2005, is amended by adding  
18 the following new subsection:

19 NEW SUBSECTION. 9. The taxes imposed under this division  
20 shall be reduced by an economic development region revolving  
21 fund contribution tax credit authorized pursuant to section  
22 15E.232.

23 Sec. 13. NEW SECTION. 432.12F ECONOMIC DEVELOPMENT  
24 REGION REVOLVING FUND CONTRIBUTION TAX CREDITS.

25 The tax imposed under this chapter shall be reduced by an  
26 economic development region tax credit authorized pursuant to  
27 section 15E.232.

28 Sec. 14. Section 533.24, Code 2005, is amended by adding  
29 the following new subsection:

30 NEW SUBSECTION. 6. The moneys and credits tax imposed  
31 under this section shall be reduced by an economic development  
32 region revolving fund contribution tax credit authorized  
33 pursuant to section 15E.232.

34  
35

DIVISION VI  
CULTURAL AND ENTERTAINMENT DISTRICTS

1     **Sec. 15. NEW SECTION. 303.3B CULTURAL AND ENTERTAINMENT**  
2 **DISTRICTS.**

3     1. The department of cultural affairs shall establish and  
4 administer a cultural and entertainment district certification  
5 program. The program shall encourage the growth of  
6 communities through the development of areas within a city or  
7 county for public and private uses related to cultural and  
8 entertainment purposes.

9     2. A city or county may create and designate a cultural  
10 and entertainment district subject to certification by the  
11 department of cultural affairs, in consultation with the  
12 department of economic development. A cultural and  
13 entertainment district shall consist of a geographic area not  
14 exceeding one square mile in size. A cultural and  
15 entertainment district certification shall remain in effect  
16 for ten years following the date of certification. Two or  
17 more cities or counties may apply jointly for certification of  
18 a district that extends across a common boundary. Through the  
19 adoption of administrative rules, the department of cultural  
20 affairs shall develop a certification application for use in  
21 the certification process. The provisions of this subsection  
22 relating to the adoption of administrative rules shall be  
23 construed narrowly.

24     3. The department of cultural affairs shall encourage  
25 development projects and activities located in certified  
26 cultural and entertainment districts through incentives under  
27 cultural grant programs pursuant to section 303.3, chapter  
28 303A, and any other grant programs.

29                                   **DIVISION VII**

30                                   **REHABILITATION PROJECT TAX CREDITS**

31     **Sec. 16. Section 404A.4, subsection 4, Code 2005, is**  
32 **amended to read as follows:**

33     4. The total amount of tax credits that may be approved  
34 for a fiscal year under this chapter shall not exceed two  
35 million four hundred thousand dollars. For the fiscal years

1 period beginning July 1, 2005, and ~~July 1, 2006~~ and ending  
2 June 30, 2010, an additional five-hundred-thousand four  
3 million dollars of tax credits may be approved each fiscal  
4 year for purposes of projects located in cultural and  
5 entertainment districts certified pursuant to section 303.3B.  
6 Any of the additional tax credits allocated for projects  
7 located in certified cultural and entertainment districts that  
8 are not approved during a fiscal year may be carried over to  
9 the succeeding fiscal year. The department of cultural  
10 affairs shall establish by rule the procedures for the  
11 application, review, selection, and awarding of certifications  
12 of completion. The departments of economic development,  
13 cultural affairs, and revenue shall each adopt rules to  
14 jointly administer this subsection and shall provide by rule  
15 for the method to be used to determine for which fiscal year  
16 the tax credits are available.

17

## EXPLANATION

18 This bill relates to economic development activities.

19 DIVISION I -- This division of the bill creates the grow  
20 Iowa values fund.21 The division creates the grow Iowa values fund under the  
22 control of the department of economic development and  
23 consisting of moneys appropriated to the fund.24 DIVISION II -- This division of the bill appropriates  
25 moneys from the grow Iowa values fund to various entities.26 For the fiscal period beginning July 1, 2005, and ending  
27 June 30, 2010, the division appropriates each fiscal year to  
28 the department of economic development \$60 million for  
29 programs administered by the department of economic  
30 development. The division provides for the allocation of  
31 moneys appropriated for programs administered by the  
32 department and for the use of 1 and 1/2 percent of the moneys  
33 appropriated to be used by the department for administrative  
34 purposes.

35 For the fiscal period beginning July 1, 2005, and ending

1 June 30, 2010, the division appropriates each fiscal year to  
2 the department of economic development \$14 million for  
3 financial assistance for institutions of higher learning under  
4 the control of the state board of regents and for accredited  
5 private institutions for multiuse, goods manufacturing  
6 processes approved by the food and drug administration of the  
7 United States department of health and human services, protein  
8 purification facilities for plant, animal, and chemical  
9 manufactured proteins; accelerating new business creation;  
10 innovation accelerators and business parks; incubator  
11 facilities; upgrading food and drug administration drug  
12 approval laboratories in Iowa City to a larger multiclient,  
13 goods manufacturing processes facility; crop and animal  
14 livestock facilities for the growing of transgenic crops and  
15 livestock, protein extraction facilities, containment  
16 facilities, and bioanalytical, biochemical, chemical, and  
17 microbiological support facilities; a national center for food  
18 safety and security; and advanced laboratory space.

19 For the fiscal period beginning July 1, 2005, and ending  
20 June 30, 2010, the division appropriates each fiscal year to  
21 the general fund of the state \$4 million for payment of tax  
22 credits approved for projects located in certified cultural  
23 and entertainment districts.

24 For the fiscal period beginning July 1, 2005, and ending  
25 June 30, 2010, the division appropriates each fiscal year to  
26 the department of economic development \$1.6 million for  
27 purposes of providing financial assistance for projects in  
28 targeted state parks and destination parks.

29 For the fiscal period beginning July 1, 2005, and ending  
30 June 30, 2010, the division appropriates each fiscal year to  
31 the office of the treasurer of state \$1.6 million for deposit  
32 in the Iowa cultural trust fund.

33 For the fiscal period beginning July 1, 2005, and ending  
34 June 30, 2010, the division appropriates each fiscal year to  
35 the department of economic development \$14 million for deposit

1 into the workforce training and economic development funds of  
2 the community colleges.

3 For the fiscal period beginning July 1, 2005, and ending  
4 June 30, 2010, the division appropriates each fiscal year to  
5 the department of economic development \$400,000 for endow Iowa  
6 grants to lead philanthropic entities.

7 For the fiscal period beginning July 1, 2005, and ending  
8 June 30, 2010, the division appropriates each fiscal year to  
9 the general fund of the state \$400,000 for payment of endow  
10 Iowa tax credits.

11 For the fiscal period beginning July 1, 2005, and ending  
12 June 30, 2010, the division appropriates each fiscal year to  
13 the department of economic development \$2 million for  
14 providing economic development region financial assistance.

15 For the fiscal period beginning July 1, 2005, and ending  
16 June 30, 2010, the division appropriates each fiscal year to  
17 the general fund of the state \$2 million for payment of  
18 economic development region revolving fund contribution tax  
19 credits.

20 The division provides that moneys that remain unexpended at  
21 the end of a fiscal year shall not revert to any fund but  
22 shall remain available for expenditure for the designated  
23 purposes during the succeeding fiscal year.

24 DIVISION III -- This division of the bill amends the Iowa  
25 economic development board provisions. The bill changes the  
26 number of voting members serving on the board from 11 members  
27 to 17 members. The bill also provides areas of expertise that  
28 must be represented on the board by at least one member each.

29 DIVISION IV -- This division of the bill requires the  
30 department of economic development to coordinate all  
31 regulatory assistance for the state of Iowa. Each state  
32 agency administering regulatory programs for business shall  
33 maintain a coordinator within the agency. The division  
34 provides that the department of economic development shall, in  
35 consultation with the coordinators, examine, and to the extent

1 permissible, assist in the implementation of methods,  
2 including the possible establishment of an electronic  
3 database, to streamline the process for issuing permits to  
4 business. The division was previously enacted in 2003 and  
5 then was stricken pursuant to Rants v. Vilsack, 684 N.W.2d  
6 193.

7 DIVISION V -- This division of the bill relates to economic  
8 development regions and provides for a tax credit.

9 The division provides for the creation of economic  
10 development regions which must be approved by the department  
11 of economic development before the region may receive moneys  
12 from the grow Iowa values fund. Such regions may create  
13 economic development region revolving funds.

14 The division provides that a nongovernmental entity making  
15 a contribution to an economic development region revolving  
16 fund may claim a tax credit equal to 20 percent of the amount  
17 contributed to the revolving fund. The tax credit is allowed  
18 against personal and corporate income tax, the franchise tax  
19 for financial institutions, the insurance premium tax, and the  
20 moneys and credits tax for credit unions. The division allows  
21 an organization exempt from federal income tax pursuant to  
22 section 501(c) of the Internal Revenue Code making a  
23 contribution to an economic development region revolving fund  
24 to be paid from the general fund of the state an amount equal  
25 to 20 percent of such contributed amount within 30 days after  
26 the end of the fiscal year during which the contribution was  
27 made. The total amount of tax credits and payments to  
28 contributors, referred to as the credit amount, authorized  
29 during a fiscal year shall not exceed \$2 million plus any  
30 unused credit amount carried over from previous years. The  
31 division provides that any credit amount which remains unused  
32 for a fiscal year may be carried forward to the succeeding  
33 fiscal year. The division provides that the maximum credit  
34 amount that may be authorized in a fiscal year for  
35 contributions made to a specific economic development region

1 revolving fund is equal to \$2 million plus any unused credit  
2 amount carried over from previous years divided by the number  
3 of economic development region revolving funds existing in the  
4 state.

5 The division provides that an economic development region  
6 may apply for financial assistance from the grow Iowa values  
7 fund to assist with physical infrastructure needs related to a  
8 specific business partner, to assist an existing business  
9 located in the region impacted by business consolidation  
10 actions, to implement economic development initiatives unique  
11 to the region, or to implement innovative initiatives that do  
12 not otherwise qualify for financial assistance. The division  
13 allows the department to establish and administer a regional  
14 economic development revenue sharing pilot project for one or  
15 more regions. The division limits financial assistance to  
16 economic development regions to a total of \$2 million each  
17 fiscal year for the fiscal period beginning July 1, 2005, and  
18 ending June 30, 2010.

19 The division allows an approved economic development region  
20 to apply to the department for approval to be designated as an  
21 economically isolated area based on criteria as determined by  
22 the department. An economically isolated area must consist of  
23 at least one county meeting the county distress criteria  
24 provided under the enterprise zone program. The division  
25 limits the number of economically isolated areas to five  
26 regions. The division provides that an approved economically  
27 isolated area may apply for financial assistance from the grow  
28 Iowa values fund of up to \$750,000 over a five-year period for  
29 purposes of economic development-related marketing assistance  
30 for the area.

31 DIVISION VI -- This division of the bill relates to the  
32 establishment of cultural and entertainment districts. The  
33 cultural and entertainment district legislation was previously  
34 enacted in 2003 and then stricken pursuant to *Rants v.*  
35 *Vilsack*, 684 N.W.2d 193. The division allows a city or county

1 to create and designate a district subject to certification by  
2 the department of cultural affairs, in consultation with the  
3 department of economic development. The division provides  
4 that a district shall consist of a geographic area not  
5 exceeding one square mile in size.

6 The division provides that district certification is for a  
7 period of 10 years and allows for the certification of areas  
8 that extend across boundaries of cities and counties. The  
9 division provides that the department of cultural affairs  
10 shall encourage development projects and activities located in  
11 certified cultural and entertainment districts through  
12 incentives under cultural grant programs and any other grant  
13 programs.

14 DIVISION VII -- This division of the bill relates to  
15 rehabilitation project tax credits. The division provides  
16 that, for the fiscal period beginning July 1, 2005, and ending  
17 June 30, 2010, an additional \$4 million of the rehabilitation  
18 tax credits may be approved each fiscal year for purposes of  
19 projects located in certified cultural and entertainment  
20 districts. The division allows any additional tax credits  
21 allocated for projects located in cultural and entertainment  
22 districts that are not approved during a fiscal year to be  
23 carried over to the succeeding fiscal year.

24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35