

Red Tape Review Rule Report (Due: September 1, 2025)

Department Name:	IEDA	Date:	8/20/25	Total Rule Count:	7
IAC #:	261	Chapter/ SubChapter/ Rule(s):	Chapter 405	Iowa Code Section Authorizing Rule:	15.120, 476.46
Contact Name:	Lisa Connell	Email:	Lisa.connell@iowaeda.com	Phone:	(515) 348- 6163

PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

What is the intended benefit of the rule?

The intended benefit of chapter 405 is to describe the policies and procedures applicable to the alternate energy revolving loan program (program). The program encouraged the development of alternate energy production facilities and small hydro facilities within the state.

Is the benefit being achieved? Please provide evidence.

Yes. The authority is able to effectively administer outstanding loans made under the program. New applications for loans ceased as of June 30, 2021 pursuant to 2021 Iowa Acts, Senate File 619. The program was replaced by the energy infrastructure revolving loan program administered pursuant to Iowa Code section 476.46A and 261—Chapter 406.

What are the costs incurred by the public to comply with the rule?

Recipients of financial assistance may incur costs to comply with reporting and monitoring requirements of the program. Some applicants/recipients may choose to rely on an external service provider to complete these tasks, such as a consultant. The amount of the costs will vary, depending on the compensation of staff or service providers involved.

What are the costs to the agency or any other agency to implement/enforce the rule?

IEDA staff time is required administer outstanding loans and communicate with program recipients.

Do the costs justify the benefits achieved? Please explain.

Yes. Only entities that benefit from the program incur any costs. The costs to the state to administer the program are proportional to the activities incented.

Are there less restrictive alternatives to accomplish the benefit? ☐ YES ☒ NO

If YES, please list alternative(s) and provide analysis of less restrictive alternatives from other states, if applicable. If NO, please explain.

The administrative requirements of the rules are no more than necessary to implement the purposes of the program.

Does this chapter/rule(s) contain language that is obsolete, outdated, inconsistent, redundant, or unnecessary language, including instances where rule language is duplicative of statutory language? [list chapter/rule number(s) that fall under any of the above categories]

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Yes.

Rule 405.1 should be updated to for clarity, including adding definitions of “alternate energy production facility” and “small hydro facility”.

Rule 405.2 should be updated to omit statutory language and for clarity.

Rule 405.3 should be updated for clarity.

Rules 405.4 and 405.5 should be rescinded.

Rule 405.6 should be updated for clarity, including removing language regarding newly approved loans.

RULES PROPOSED FOR REPEAL (list rule number[s]):

None.

RULES PROPOSED FOR RE-PROMULGATION* (list rule number[s] or include text if available):

CHAPTER 405
ALTERNATE ENERGY REVOLVING LOAN PROGRAM

261—405.1(15) Definitions.

“Alternate energy production facility” means the same as Iowa Code section 476.42.

“Authority” means the economic development authority created in Iowa Code section 15.105.

“Board” means the governing board of the Iowa energy center established pursuant to Iowa Code section 15.120(2).

“Iowa energy center” or *“IEC”* means the Iowa energy center established by Iowa Code section 15.120.

“Project” means the construction of an alternate energy production facility or a small hydro facility.

“Small hydro facility” means the same as defined in Iowa Code section 476.42.

261—405.2(15) Loan amounts and terms.

405.2(1) The minimum loan amount is \$25,000 per project and the maximum loan amount shall not exceed the amount set forth in Iowa Code section 476.46(2)(d).

405.2(2) The board shall not lend more than 50 percent of eligible project costs as defined in rule 261—405.5(15).

405.2(3) Loan terms will be consistent with Iowa Code section 476.46(2) “e”.

405.2(4) A borrower shall be eligible for not more than \$1 million in loans outstanding at any time under this program.

405.2(5) The board shall not issue a loan that exceeds the value of the collateral provided.

405.2(6) Security for loans. The board will accept security for a loan. The following forms of collateral will be accepted:

- a. Real property;
- b. Dedicated certificate of deposit;
- c. Irrevocable letter of credit;
- d. Corporate guarantee;
- e. Other forms of collateral if approved by the board, and only if the forms of collateral listed in paragraphs 405.2(6) “a” to “d” are inadequate.

405.2(7) Term. The duration of the loan shall be for 20 years, the estimated useful life of the project that is financed by the loan, the terms of any other loans used to finance the project, or the estimated return on investment for the project, whichever is shortest.

261—405.3(15) Borrowers.

405.3(1) *Eligible borrowers.* The project shall be wholly owned by an eligible borrower. Eligible borrowers include:

- a. Persons whose primary residence is in Iowa.
- b. Businesses registered and domiciled in Iowa. For businesses organized as limited liability companies, each member of the limited liability company must be domiciled in Iowa and be an eligible borrower.
- c. Water and wastewater utilities subject to Iowa Code chapter 388, rural water districts subject to Iowa Code chapters 357A and 504, and sanitary districts subject to Iowa Code chapter 358.

405.3(2) *Ineligible borrowers.* Ineligible borrowers include:

- a. An organization that is lending to a project and also owns the project or is a member of an organization that owns the project.
- b. An individual or an organization with a history of defaulted loans or compliance violations with other state programs or rules.
- c. Regents institutions.
- d. Community colleges.
- e. State agencies.
- f. Cities, but not water or wastewater utilities subject to Iowa Code chapter 388.
- g. Counties.
- h. School districts.
- i. Nonprofit organizations.
- j. Gas and electric utilities subject to Iowa Code chapter 388 or rural electric cooperatives subject to Iowa Code chapter 476.

261—405.4(15) Administration.

405.4(1) *Amendment.* Any substantive change to a project shall require an amendment to the loan agreement. The borrower shall request the amendment in writing. No substantive amendment shall be valid until approved by the board. The authority may execute nonsubstantive or corrective changes to the loan agreement without board approval.

405.4(2) Closeout. Upon project completion, the authority will initiate project closeout procedures.

405.4(3) Record keeping and retention. Borrowers shall retain all financial records, supporting documents and all other records pertinent to the loan for five years after the loan agreement is closed or the date the authority issues a written notice of default, if the default is not cured.

405.4(3) Reporting and compliance. The authority reserves the right to conduct a site visit of all awarded projects to ensure the projects were built as proposed and to provide verification of ongoing operation. The authority will monitor all loans to ensure that loan proceeds have been spent as identified in the contract and that all other sources of financing have been committed to the project. Borrowers shall be required to notify the authority of any change in ownership.

405.4(4) Default.

a. At any time during the construction of a project or the repayment of the loan, the authority may find that a borrower is in default under the terms of the loan agreement. The authority will take prompt, appropriate, and aggressive debt collection action to recover any funds misspent by borrowers.

b. If the authority determines that a borrower is in default, the authority may seek recovery of the loan plus interest or other penalties as authorized pursuant to Iowa Code section 476.46, negotiate alternative payment schedules, suspend or discontinue collection efforts and take other action as the authority deems necessary.

c. The authority shall attempt to collect the amount owed. Any negotiated settlement, write-off, or discontinuance of collection efforts is subject to final review by and approval of the board.

d. If the authority refers a defaulted loan to outside counsel for debt collection, then the terms of the contract between the authority and the outside counsel regarding the scope of counsel's authorization to accept settlements shall apply.

261—405.5(15) Applicability after June 30, 2021. To the extent allowed by other provisions of law, the rules adopted in this chapter shall continue to apply to agreements entered into on or before June 30, 2021.

These rules are intended to implement Iowa Code section 15.120 and section 476.46.

***For rules being re-promulgated with changes, you may attach a document with suggested changes.**

METRICS

Total number of rules repealed:	2
Proposed word count reduction after repeal and/or re-promulgation	492
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	14

ARE THERE ANY STATUTORY CHANGES YOU WOULD RECOMMEND INCLUDING CODIFYING ANY RULES?

No.