SENATE FILE _____
BY (PROPOSED COMMITTEE
ON COMMERCE BILL BY
CHAIRPERSON DAWSON)

A BILL FOR

1 An Act relating to cities that own or operate a municipal
2 utility providing telecommunications services and municipal
3 utilities providing such services.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
Section 1. Section 388.10, subsection 1, paragraph a, subparagraphs (1) and (4), Code 2020, are amended to read as follows:

1. Use general fund moneys for the ongoing support or subsidy of a telecommunications system, except as provided in section 388.10, subsection 1, paragraph "a", subparagraph (6).

4. Use funds or revenue generated from electric, gas, water, sewage, or garbage services provided by the city for the ongoing support of any city telecommunications system, except as provided in section 388.10, subsection 1, paragraph "a", subparagraph (5).

Sec. 2. Section 388.10, subsection 1, paragraph a, Code 2020, is amended by adding the following new subparagraphs:

- NEW SUBPARAGRAPH. (5) Lend funds or revenue generated from electric, gas, water, sewage, or garbage services provided by the city at an interest rate which is less than the prevailing market rate for comparable lending by a financial institution.

- NEW SUBPARAGRAPH. (6) Lend moneys from the general fund or reserve fund to a telecommunications system at an interest rate which is less than the prevailing market rate for comparable lending by a financial institution.

- NEW SUBPARAGRAPH. (7) Forgive any loan, indebtedness, or bonds extended by the city to a telecommunications system.

- NEW SUBPARAGRAPH. (8) Provide telecommunications services or access to telecommunications system facilities, equipment, or services at a cost which is less than the reasonable cost of providing such facilities, equipment, or services or access to such facilities, equipment, or services.

- NEW SUBPARAGRAPH. (9) Provide a telecommunications system with any municipal utility facilities, equipment, or services at a cost for such facilities, equipment, or services which is less than the reasonable cost of providing such facilities, equipment, or services.

- NEW SUBPARAGRAPH. (10) Sell or offer to sell telecommunications services to any customer or prospective
customer in the same transaction as electric, gas, water, sewage, or garbage services are sold or offered for sale.

Sec. 3. Section 388.10, subsection 1, paragraph b, Code 2020, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (01) “Financial institution” means a bank or credit union as defined in section 12C.1.

Sec. 4. Section 388.10, subsection 2, paragraphs a and b, Code 2020, are amended to read as follows:

a. Prepare and maintain records which record the full cost accounting of providing telecommunications services. The records shall show the amount and source of capital for initial construction or acquisition of the telecommunications system or facilities. The records shall be public records subject to the requirements of chapter 22. Information in the records that is not subject to examination or copying as provided in section 388.9, subsection 2, may be expunged from the records prior to public disclosure. This section shall not prohibit a municipal utility from utilizing capital from any lawful source, provided that the reasonable cost of such capital is accounted for as a cost of providing the service, and provided that the interest rate associated with obtaining the capital does not exceed a rate that is greater than the prevailing market rate for comparable lending by a financial institution.

b. Adopt rates for the provision of telecommunications services that reflect the actual cost of providing the telecommunications services. However, this paragraph shall not prohibit the municipal utility from establishing market-based prices for competitive telecommunications services.
Sec. 5. Section 388.10, subsection 3, Code 2020, is amended to read as follows:

3. This section shall not prohibit the marketing or bundling of other products or telecommunications services, in addition to telecommunications services. However, a city shall include on a billing statement sent to a person receiving telecommunications services from the city, a separate charge for each telecommunications service provided to the person. This subsection does not prohibit the city from also including on the billing statement a total amount to be paid by the person.

Sec. 6. Section 388.10, Code 2020, is amended by adding the following new subsection:

NEW SUBSECTION. 5. This section shall not apply to any city in which greater than one-third of the United States census bureau census blocks within the city are targeted service areas, as defined in section 8B.1.

EXPLANATION

The inclusion of this explanation does not constitute agreement with the explanation's substance by the members of the general assembly.

This bill relates to cities that own or operate a municipal utility providing telecommunications services and municipal utilities providing telecommunications services.

The bill prohibits cities that own or operate a municipal utility and the municipal utility itself from lending funds or revenue generated from electric, gas, water, sewage, or garbage services at an interest rate that is less than the prevailing market rate. The bill also prohibits these cities and municipal utilities from lending moneys from the general fund or reserve fund to a telecommunications system at an interest rate that is less than the prevailing market rate.

The bill prohibits such cities and municipal utilities from forgiving any indebtedness extended to a telecommunications system.

Further, these cities and municipal utilities are
prohibited from providing telecommunications services or access to telecommunications system facilities or equipment at a cost which is less than the reasonable cost of providing the telecommunications services or access to the telecommunications system facilities or equipment, and from providing telecommunications systems with any city or municipal utility facilities, equipment, or services at a cost for such facilities, equipment, or services which is less than the reasonable cost of providing such city or municipal utility facilities, equipment, or services.

Additionally, the bill prohibits such cities and municipal utilities from selling or offering to sell telecommunications services to any customer or prospective customer in the same transaction as electric, gas, water, sewage, or garbage services are sold or offered for sale.

The bill provides a maximum interest rate at which a municipal utility can obtain capital to finance the initial construction or acquisition of telecommunications systems or facilities.

Current law provides municipal utilities shall not be prohibited from establishing market-based prices for competitive telecommunications services. The bill removes that provision.

Current law provides cities that own or operate a municipal utility and the municipal utility itself are not prohibited from marketing or bundling other products or services, in addition to telecommunications services. The bill amends this provision to remove reference to other products or services and substitutes instead telecommunications services.

The bill provides that Code section 388.10 shall not apply to any city in which greater than one-third of the United States census bureau census blocks within the city are targeted service areas, as defined in Code section 8B.1.