

**Senate Study Bill 3009 - Introduced**

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:

1 Section 1. Section 388.10, subsection 1, paragraph a,  
2 subparagraphs (1) and (4), Code 2020, are amended to read as  
3 follows:

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

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

12 Sec. 2. Section 388.10, subsection 1, paragraph a, Code  
13 2020, is amended by adding the following new subparagraphs:

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

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

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

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

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

34 NEW SUBPARAGRAPH. (10) Sell or offer to sell  
35 telecommunications services to any customer or prospective

1 customer in the same transaction as electric, gas, water,  
2 sewage, or garbage services are sold or offered for sale.

3 Sec. 3. Section 388.10, subsection 1, paragraph b, Code  
4 2020, is amended by adding the following new subparagraph:

5 NEW SUBPARAGRAPH. (01) "*Financial institution*" means a bank  
6 or credit union as defined in section 12C.1.

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

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

24 In accounting for the cost of use of any city employees,  
25 facilities, equipment, or services, a city or municipal utility  
26 may make a reasonable allocation of the cost of use of any  
27 city employees, facilities, equipment, or services used by  
28 the municipal utility based upon reasonable criteria for the  
29 distribution of the cost of use in any manner which is not  
30 inconsistent with generally accepted accounting principles.

31 b. Adopt rates for the provision of telecommunications  
32 services that reflect the actual cost of providing the  
33 telecommunications services. ~~However, this paragraph shall not~~  
34 ~~prohibit the municipal utility from establishing market-based~~  
35 ~~prices for competitive telecommunications services.~~



1 prohibited from providing telecommunications services or  
2 access to telecommunications system facilities or equipment  
3 at a cost which is less than the reasonable cost of  
4 providing the telecommunications services or access to the  
5 telecommunications system facilities or equipment, and from  
6 providing telecommunications systems with any city or municipal  
7 utility facilities, equipment, or services at a cost for such  
8 facilities, equipment, or services which is less than the  
9 reasonable cost of providing such city or municipal utility  
10 facilities, equipment, or services.

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

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

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

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

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