

Legislative *E-Update* ~ 3.12.10

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Parts of these articles were excerpted from various news sources, including the Des Moines Register.

1. [New Estimate Shows Small Increase In State Revenue](#)

New revenue projections for state government have increased only slightly, failing to give lawmakers relief from budget shortfalls.

"We believe Iowa may be turning the corner, but we haven't accelerated out of the turn yet and down that long, slow recovery road," said Holly Lyons, director of the fiscal services division of the Legislative Services Agency and a member of the state's Revenue Estimating Conference, which released new projections this week.

In the current fiscal year, lawmakers will have \$900,000 more at their disposal than projected in December. The \$5.402 billion in

revenue is down \$682.4 million from the fiscal year that ended June 30, 2008, and down \$531.9 million from fiscal year 2009. And the coming fiscal year, which begins July 1, isn't much rosier. The state is projected to have an additional \$33.1 million, less than a 1 percent increase from the current year and nearly an 11 percent decrease since 2008.

By law, state officials must base Iowa's budget on projections made by the Revenue Estimating Conference, a three-member group that draws economic information from a wide spectrum of sources. The budget, by law, is to be based upon December estimates, but lawmakers sometimes agree to use a provision that allows them to use March estimates.

Iowa's economy, while showing improvement, continues to be dogged by unemployment, the conference's members agreed. The bleak jobs outlook could be compounded by likely layoffs of hundreds of state, local and school employees, they said. And people who have jobs are not seeing significant increases in salary, which translates to little or no growth in income and sales tax collections for the state.

"In the big scheme of things, this recognizes some sense of optimism here, and we've turned the corner," said State Budget Director Dick Oshlo, a member of the conference.

This week's projections put Iowa ahead in the recovery curve compared with most states. More than half expect revenue to continue to decline in the current fiscal year, according to the National Conference of State Legislatures. And states cumulatively expect to face a \$55.5 billion shortfall in the coming fiscal year, the group's numbers show. Information collected by the national conference also shows that at least 20 states raised taxes last year to help offset declining revenue.

Iowa lawmakers have resisted sales or income tax increases but last year approved increases in court fees that are expected to generate almost \$17 million in the current fiscal year. The

state also increased hunting and other license fees, which will generate an expected \$1.8 million.

Democratic leaders in Iowa said they wouldn't spend more money as a result of the slightly increased estimate. Instead, the extra money is likely to be added to the state's cash reserves, which are at around \$408 million.

"Although it appears that we have a recovery on the horizon, we don't know how far that is or how strong it will be," said House Majority Leader Kevin McCarthy.

Republicans expressed doubt that Democrats would refrain from tapping into the additional revenue.

"We'll see how it goes," said Sen. Steve Kettering, R-Lake View, his party's ranking member on the Senate Appropriations Committee. "They've got a huge budget. They don't have enough money to fill the budget, so I think they will be tempted."

[2. House Leader Sees More Money For Schools](#)

A key Iowa House leader predicts that lawmakers will identify additional revenue to soften expected cuts in public school budgets. Education officials statewide are bracing for a possible drop in general fund revenue of \$455 million in the fiscal year that begins in July, compared with the year that ended June 30, 2008.

House Majority Leader Kevin McCarthy predicted that the picture for the education budget will become brighter in the next two weeks as lawmakers make further adjustments. In addition, lawmakers hope that additional federal grant money can help avoid cuts to human services. That doesn't mean, however, that those areas of the budget will completely avoid the budget sting, McCarthy said.

"There will be increased funding, but how it happens and what

budget year it's in is very complicated," McCarthy said. "I think the education budget situation for 360-plus school districts will look better than what people are assuming now."

Gov. Chet Culver in January recommended the state use \$100 million from cash reserves to pump up the education budget. Democrats and Republicans alike expressed dislike for that idea.

Republicans proposed several ideas contained in a major government reorganization bill signed into law by Culver. However, they have frequently complained that more can still be done to make state government more efficient and avoid critical service cuts.

"I think Iowans are rightfully frustrated," said Rep. Scott Raecker of Urbandale, the top-ranking Republican on the House Appropriations Committee. "We hear a lot of lip services that education is the No. 1 priority, yet we're coming into the close of the ninth week of this session, and the Democratic majority has yet to fully identify how much they're going to fund for education."

The human services budget that's working its way through legislative committees could mean more job losses. The Department of Corrections already has seen hundreds of vacancies. Since July 1, the department has lost 174 employees through attrition, and an additional 188 have signed up for an early retirement program, which will result in a total reduction of 362 employees. The department has lost so many people it has to begin hiring some replacements, Iowa Corrections Director John Baldwin said last week.

[3. Lawmakers Go Easier On DHS Cuts](#)

Legislators managed to ease cuts in some state human-services programs this week, but they still expect a painful year ahead for the programs. The House Appropriations Committee

approved an amendment that softened reductions among field staff for the Department of Human Services and would retain some of the capacity that was expected to be cut from the state mental health institutes and training facilities for youthful offenders.

The overall bill, House Study Bill 736, would spend about \$162 million less than last year on human services and health care programs, said Rep. Lisa Heddens, D-Ames, who shepherded the bill through committee.

DHS administrators had warned that planned budget cuts announced earlier would mean they would have to cut a third of the 287 beds at the state's four mental health institutes. Mental health advocates said the move would compound a significant shortage of options for seriously mentally ill patients, because community hospitals have been closing or cutting their psychiatric wards. Heddens said she and state staffers found ways to ease those cuts, mainly by moving federal money around in other programs. Under the new plan, about a quarter of the beds would close.

The new bill also restores 194 social workers and other human services field staffers, but it still would cut 322. That would be a 17 percent cut from the current work force, which was already reduced by last year's budget cuts. The new bill also would ease bed cuts at the state training schools for youths at Toledo and Eldora. It also would ease cuts at the state's civil commitment facility for sexual offenders, but administrators continue to say budget cuts would invite a lawsuit because they would make it impossible to provide "basic security and treatment."

Republicans on the committee opposed the overall bill, saying it relies too heavily on federal stimulus money and other one-time funds to cover the rising cost of Medicaid, the health insurance program for the poor.

"What are we going to do next year?" asked Rep. David Heaton, R-Mount Pleasant, who said the Medicaid hole for fiscal year 2012 would be at least \$500 million. Heddens said if the federal stimulus money wasn't available, the state would face that big of a problem now.

The bill now goes to the House floor, where more changes are expected.

4. [Other News: Legislative Briefs](#)

Gun legislation heads to Culver

Domestic abusers in Iowa and people subject to protective orders will lose their gun rights under a bill OK'd by the Senate. An Iowan who is the subject of certain protective or no-contact orders, or who was convicted of domestic violence, could not possess a firearm or ammunition. Once a protective order is lifted, the person could regain possession of the firearms. There is a legal process for a convict to have rights restored. The bill passed the Senate, 36-12, and goes to the governor to be signed.

Changes made to 'Ed Thomas' bill

Lawmakers tweaked a bill that would require hospitals to release psychiatric patients facing criminal charges directly into the hands of law enforcement officials. Senate File 2352 came about after the June 2009 murder of Aplington-Parkersburg football coach Ed Thomas.

The Senate-passed bill lets an officer request that a judge notify law officers when a person with mental illness is discharged. The House's version, approved 98-0, creates a process to notify officers of someone's discharge if there is not a court

order. The bill returns to the Senate for more debate.

Back pay on way for Iowa National Guard

Iowa National Guard soldiers finally are starting to receive bonus checks for extended duty in Iraq, U.S. Rep. Bruce Braley said this week.

About 650 to 700 Iowa National Guard troops who were mobilized for 22 months, returning home in July 2007, are expected to get the checks. Thousands of other military service members across the country also will receive additional pay.

In Iowa, the issue primarily affected the Iowa National Guard's 1st Battalion, 133rd Infantry, headquartered in Waterloo. Some troops could receive thousands of dollars. The Pentagon is authorized to retroactively grant up to \$200 per day to affected troops.

The problem: Service members were caught between the announcement of the "Post Deployment and Mobilization Respite Absence" program by the U.S. Department of Defense and the establishment of the program by individual services. Members of Congress worked for more than two years to fix the problem.

5. Bill Tracking

The following legislative action took place this week in the Iowa House and Senate. For full details of the legislation, please visit www.legis.state.ia.us.

Issue related legislation:

Signed by the Governor

SF 2248 NPDES MATTERS

Allows a person to make an appeal of a DNR decision about an NPDES permit to the EPC through a Commission hearing or a contested case. Makes this appeal the final agency action in order to allow appeals to the district court after. CAFO: Requires an animal feeding operation defined as a CAFO under NPDES to comply with NPDES permit requirements. Requires the EPC to adopt rules that are no more stringent than federal law.

Passed by the [Senate](#), 46-0; Passed by the [House](#), 94-0

HOUSE ACTION

Bills to the Governor:

SF 2157 REAL ESTATE CONTRACT SALES

Moves up the deadlines for recording real estate contract sales to 90 days (for sales subject to a 180-day requirement), and to 30 days for installment contracts that are subject to a 45-day requirement.

The [House](#) PASSED the bill, 94-0; it now goes to the [Governor](#)

SF 2264 SUBDIVISION REVIEWS

Allows a city to review subdivisions and plats within two miles of the city's boundaries. Includes condominiums as subdivisions. Requires that a declaration for a condominium within a review

area to be submitted to the city for review.

The [House](#) PASSED the bill, 95-0; it now goes to the [Governor](#)

SENATE ACTION

Bills to the Governor:

SF 2199 MANUFACTURED HOME TAXES

Requires that the use tax on manufactured homes be paid by the buyer to a licensed manufactured home retailer, and for the retailer to apply for a certificate of title. Requires the tax to be forwarded to the county treasurer or the DOT, and then to the DOR. Allows the county treasurer to keep \$1 for each tax payment. Allows the use of an affidavit to surrender a manufactured home if the certificate of title cannot be found. Establishes procedures for such a surrender.

S-5147 by the [House](#) - Changes the procedures for the affidavit, including that the title abstract be done by an attorney licensed in Iowa. Adds other details.

The [Senate](#) CONCURRED & PASSED the bill, 50-0 it goes to the [Governor](#)

General business legislation:

HOUSE ACTION

Bills to the Governor:

HF 2478 LLCS & OTHER MATTERS

Makes the registered office for all LLCs, whether formed in

Iowa or another state the same. Requires that a registered agent be a person or business in the state and that the address of an LLC for its registered office and the business office of its registered agent be the same. Requires notice to the Secretary of State of moves. Allows service of process through the mail and deems service to be complete on the date of a receipt or five days after mailing. Allows service through any other legal means. Allows the SOS to impose fees for filing biennial reports. Authorizes administrative dissolution for the failure to file a biennial report, to have a registered agent or to fail to file notice of a move. Other: Allows a business corporation to be dissolved for failing to pay any fee, tax or penalty due to the Secretary of State. Requires biennial reports to be current when filed.

H-8386 by the [Senate](#) - Makes technical corrections.

The [Senate](#) PASSED the bill, as amended, 50-0; it now RETURNS to the [House](#)

The [House](#) CONCURRED & PASSED the bill, as amended, 98-0; it now goes to the [Governor](#)

[House Ways & Means Committee: Voted Out:](#)

HSB 730 STREAMLINED SALES TAX

Adopts the latest changes to conform to the uniform provisions for the streamlined sales tax. Makes a number of language and reference changes. Requires the DOR to make reasonable efforts to notify sellers after sales tax changes. Adds electronic filing of simplified returns. Allows some sellers to register here without intending to make sales here. Eliminates a requirement that a remote seller file a return in the following month if it accumulates more than \$1,000 of state and local sales taxes. Directs the DOR to adopt a standard process for the remittance of sales tax payments. Effective don enactment. PASSED, 25-0

SENATE ACTION

Bills to the Governor:

HF 2485 CHAPTER 20 BARGAINING

Deems that PERB shall interpret and apply Chapter 20.
Prohibited Practices: Strikes the requirement that a prohibited practice be willful to be a violation. Specifies that oral speech of views will not be considered a prohibited practice unless it has a threat of reprisal of force. Allows an officer to hear a prohibit practice hearing electronically. Allow PERB to designate a member to preside at such a hearing. Bargaining Units: Does not allow a petition for a new union when the bargaining unit is already represented by an exclusive unit. Allows for the exchange of initial interest statements in lieu of an initial bargaining position. Makes bargaining deadlines for community colleges the same as other educational units. Allows for a contract to include consideration of union grievances in addition to employee grievances. Arbitration: Requires the approval of the union, and the approval of an employee in employee grievances, for arbitration. Strikes fact finding procedures. Makes arbitration through a single arbitrator. Requires PERB to select five candidates, and for the parties to alternatively strike names.

The **Senate** PASSED the bill, 50-0; it goes to the **Governor**

HF 681 WORKER NOTIFICATION ACT

Creates the Iowa Worker Adjustment and Retraining Notification Act. Establishes provisions requiring notice to the DWD and to employees, and unions for layoffs of more than 25 employees at least 30 days in advance. Includes rolling layoffs if 25 employees are laid off in a 90-day period. Establishes exceptions for lockouts and strikes, natural disasters,

unforeseeable circumstances, for plant closings by faltering companies. Establishes civil penalties.

S-5230 by Zaun – lost, 18-31

The [Senate](#) PASSED the bill, 31-18; it goes to the [Governor](#)

[Bills RETURNED to the House:](#)

HF 2478 LLCS & OTHER MATTERS

Makes the registered office for all LLCs, whether formed in Iowa or another state the same. Requires that a registered agent be a person or business in the state and that the address of an LLC for its registered office and the business office of its registered agent be the same. Requires notice to the Secretary of State of moves. Allows service of process through the mail and deems service to be complete on the date of a receipt or five days after mailing. Allows service through any other legal means. Allows the SOS to impose fees for filing biennial reports. Authorizes administrative dissolution for the failure to file a biennial report, to have a registered agent or to fail to file notice of a move. Other: Allows a business corporation to be dissolved for failing to pay any fee, tax or penalty due to the Secretary of State. Requires biennial reports to be current when filed.

S-5188 by Hogg - Makes technical corrections.
ADOPTED

The [Senate](#) PASSED the bill, as amended, 50-0; it now RETURNS to the [House](#)

[Bills to the House:](#)

SF 2363 DOR TECHNICAL TAX BILL

Makes changes to the technical administration of tax law. Repeals outdated sections on the enterprise job zone program. Requires cities to notify the DOR when imposing a franchise fee on utilities. Requires domestic corporations to give the DOR a copy of their federal return when filing for the Iowa Corporate income tax. Amends provisions regarding the underpayment of estimated tax liability. Requires a business that relocates to a different county to obtain a new sales tax permit. Makes other corrections and updates.

The [Senate](#) PASSED the bill, 49-0; it now goes to the [House](#)

The following [legislation was introduced this past week in the Iowa House and Senate](#). For full details of the legislation, please visit www.legis.state.ia.us.

Issue related legislation:

NO ISSUE RELATED LEGISLATION WAS INTRODUCED THIS WEEK.

General business legislation:

HF 2524 STREAMLINED SALES TAX (*Successor to HSB 730*) Adopts the latest changes to conform to the uniform provisions for the streamlined sales tax. Makes a number of language and reference changes. Requires the DOR to make reasonable efforts to notify sellers after sales tax changes. Adds electronic filing of simplified returns. Allows some sellers to register here without intending to make sales here. Eliminates a requirement that a remote seller file a return in the following month if it accumulates more than \$1,000 of state and local sales taxes. Directs the DOR to adopt a standard process for the remittance of sales tax payments. Effective don enactment.

HSB 737 HOTEL & MOTEL TAX Increases the maximum hotel/motel tax rate 9% for cities and to 8% for counties. Requires that the city council or county supervisors appoint a

citizen advisory board of local residents to make recommendations on how to spend the increased revenues. Prohibits the DOR from imposing the tax or increase if the city or county does not appoint a citizen's advisory committee.

HSB 738 TAX CREDIT REVIEW Committee: Creates Tax Expenditure Committee in the Legislative Council, with five members from each chamber. Gives the committee the duty to issue a statement on sound tax policy, to review tax expenditures and to report to the Legislature on tax expenditure and related matters. Requires the committee to create a system for making tax credit information available to the public. Requires the committee to make estimates of all tax expenditures for the budget process. **Tax Credits:** Reduces the DED credits from \$185 million to \$120 million. Suspends the film tax credit until July, 2012. Sets the value of the research credit: 3% for companies with more than \$20 million in revenues, and 10% for companies below that level. **10% cuts:** Reduces the ACE credit to \$5.4 million; the Endow Iowa credits to \$2.7 million; the school tuition organization credit to \$6.75 million. **Other cuts:** Reduces the Iowa Fund of Fund liability to \$60 million. Reduces the reservations for the historic preservation and cultural/entertainment district credit to \$45 million. Eliminates the refundability of the Value-Added Ag Product credit. **Estate Tax:** Re-enacts the pick-up tax (estate tax) contingent on federal action to re-enact credits. **Studies:** Requests an interim study on enterprise zones and one on the industrial new jobs training program.

SF 2374 DOR TAX BILL (Successor to SSB 3234) **Tax Credits:** Directs certain tax credit withholding payments to have those taxes paid to the DOR and for cities or community colleges to certify the amount to be allocated. Applies to existing and future agreements, and requires existing agreements to be amended. Extends by two years the time for claiming the industrial real estate or cattle facilities property tax exemptions. **Data Match:** Establishes a data match system to compare data on obligors with data from financial institutions. Allows the

DOR to enter into agreements with banks. Allows the DOR to levy on those accounts through administrative action. Allows for the banks to receive reimbursements. Other: Extends penalties for false claims to false claims for credits. Specifies that interest on tax refunds begins on the first day of the third month.

SF 2375 STREAMLINED SALES TAX (*Successor to SSB 3224*) Adopts the latest changes to conform to the uniform provisions for the streamlined sales tax. Makes a number of language and reference changes. Requires the DOR to make reasonable efforts to notify sellers after sales tax changes. Adds electronic filing of simplified returns. Allows some sellers to register here without intending to make sales here. Eliminates a requirement that a remote seller file a return in the following month if it accumulates more than \$1,000 of state and local sales taxes. Directs the DOR to adopt a standard process for the remittance of sales tax payments. Effective on enactment.

SSB 3250 TAX CREDIT REVIEW Committee: Creates Tax Expenditure Committee in the Legislative Council, with five members from each chamber. Gives the committee the duty to issue a statement on sound tax policy, to review tax expenditures and to report to the Legislature on tax expenditure and related matters. Requires the committee to create a system for making tax credit information available to the public. Requires the committee to make estimates of all tax expenditures for the budget process. Tax Credits: Reduces the DED credits from \$185 million to \$120 million. Suspends the film tax credit until July, 2012. Sets the value of the research credit: 3% for companies with more than \$20 million in revenues, and 10% for companies below that level. 10% cuts: Reduces the ACE credit to \$5.4 million; the Endow Iowa credits to \$2.7 million; the school tuition organization credit to \$6.75 million. Other cuts: Reduces the Iowa Fund of Fund liability to \$60 million. Reduces the reservations for the historic preservation and cultural/entertainment district credit to \$45

million. Eliminates the refundability of the Value-Added Ag Product credit. Estate Tax: Re-enacts the pick-up tax (estate tax) contingent on federal action to re-enact credits. Studies: Requests an interim study on enterprise zones and one on the industrial new jobs training program.

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