

Legislative E-Update ~ 4.29.11

in this update:

1. Continuing Clashes Force Iowa Legislative Session Into Next Week
 2. Tax Bill Merges GOP Ideas
 3. Iowa House Passes Nuclear Plant Bill
 4. Gaming Bill, On-Line Poker Study Advances
 5. Other News: Legislative Briefs
 6. Bill Tracking
-

Parts of these articles were excerpted from various news sources state media outlets.

1. Continuing Clashes Force Iowa Legislative Session Into Next Week

4/29/11 Des Moines Register

Iowa Senate Democrats and House Republicans are deadlocked over taxes, education spending and other key issues, forcing lawmakers into overtime next week to resolve their differences.

At the same time, Republican Gov. Terry Branstad made it clear that he was digging in his heels on state spending. He said he wouldn't accommodate Democrats who seek to appropriate more money for schools and other government programs.

"I know traditionally what has happened at the end of the session is that we go on a spending spree. But we can't afford to continue to do that. We have to maintain fiscal discipline," said Branstad, citing a fragile state economy and the need for long-term budgeting.

The Legislature plans to return to work in earnest at the Statehouse on Monday. But there is no timetable in sight for adjourning the 2011 session, which began in January. Legislators' daily expense payments - \$134 for each member except those in Polk County, who receive \$100.50 - expire for the session effective April 29. That means legislators must cover their own costs in Des Moines going forward.

Senate Majority Leader Michael Gronstal, D-Council Bluffs, said that his caucus was focusing on education and job creation in final negotiations. He pointed to a new report showing improved state revenues, noting the state has \$600 million in reserve funds and will have an ending balance of more than \$300 million for this fiscal year, which ends June 30.

"It is clear the Legislature can keep the promises we've made to Iowa families: improve student achievement at local schools, strengthen job creation and economic growth, and balance the budget without raising taxes," Gronstal said.

Gronstal said the case for a 2 percent increase in basic aid to schools next year is especially strong.

"Turning our backs on K-12 schools would undermine local educational opportunity, increase the ranks of Iowa's unemployed by at least 1,500 newly fired teachers and

other school employees, increase local property taxes and hurt overall student achievement, the key to Iowa's long-term economic growth," Gronstal said.

But Branstad said he's sticking by his proposal for zero percent allowable growth for school spending in the 2012 and 2013 budget years. That means school leaders wouldn't have the authority to expand their budgets unless enrollment surged.

"We are not going to slip back into the bad budgeting practices of just looking at how can we get by another year," Branstad said. "We put together a five-year projection. We want to make sure that the decisions we make are sustainable for the long term. ... Revenue is maybe a little above expectations, but it is pretty close, and corporate income tax is still down. So we need to recognize that the economy is still a little bit fragile with high gas prices. I think we have to be careful about it."

House Speaker Kraig Paulsen, R-Hiawatha, said the priority for his caucus was property tax relief that won't rely on state tax credits, which he described as "potentially elusive." The problem with property tax credits proposed by Democrats is that they would depend on appropriations at the discretion of future legislatures, he said.

Paulsen also said House majority Republicans were standing by Branstad's limits for education spending, as well as the governor's proposal for a two-year state budget, which Democrats strongly oppose. Democrats in the Legislature want a one-year budget. They think a two-year budget shifts authority to the governor.

Asked how the school aid issue could be resolved, Paulsen told reporters, "Well, if nothing happens, it is resolved. It just doesn't change."

House Majority Leader Linda Upmeyer, R-Garner, said it would be business as usual in the House next week. Besides property tax and budget issues, work will continue on mental health reform, a flood prevention bill sought by Cedar Rapids officials, and a bill that would revise gambling laws, she said.

Many legislative sessions in the past have ended with all-night, marathon floor debates. But House and Senate leaders are so far apart on key issues this year that many legislators headed home for the weekend on Wednesday. Legislative leaders stayed in Des Moines to negotiate on key bills.

The 50-member Senate convened Thursday morning with fewer than 20 lawmakers on the chamber's floor. No bills were on the debate calendar, and no committee meetings were scheduled. However, other senators arrived later in the morning. The House only briefly convened in morning.

House leaders are trimming their staff for the rest of the session but plan to keep the telephone switchboard operating. The Senate hasn't made any staff reductions, anticipating a full schedule next week. Its switchboard was shut down at noon Thursday but will reopen at 11:30 a.m. Monday before the Senate reconvenes at 1 p.m.

2. Tax Bill Merges GOP Ideas

A House committee has given approval to a bill that would gradually reduce taxes on commercial and industrial property in Iowa.

The bill is a merger of plans advanced by House Republicans and Republican Governor Branstad. Representative Tom Sands, a Republican from Wapello, says after talking for the past two decades about making changes in the property tax system, it's time for action.

"It is exciting that there are a lot of different groups that see that there is a problem out there," Sands says. "They see this as a possible solution."

Commercial property owners now pay taxes based on 100 percent of the assessed value of the property, while homeowners pay taxes on about half the assessed value of their residence. John Gilliland of the Iowa Association of Business and Industry says commercial property taxes have "spiralled out of control" in the past decade, increasing by \$1.75 billion.

"I would submit to you that when this legislature talks about job creation and wanting to get the economy moving forward, property tax for commercial and industrial property taxpayers really is the white elephant in the room," Gilliland says.

Alan Kemp of the Iowa League of Cities says some of that growth, however, is property taxes collected from new businesses and business expansions. And Kemp says rolling back property tax obligations by 40 percent over five years would be a \$500 million hit to city budgets.

"It takes too much valuation out of the commercial side too fast," Kemp says.

Ed Wallace of the Iowa Taxpayers Association praised Republican legislators and the governor's office for working "behind the scenes" to "meld" pieces of Branstad's proposal with the one from House Republicans.

"It is our strong feeling that now is the time and this is the vehicle for meaningful property tax relief," Wallace says.

Democrats like Representative Dave Jacoby of Coralville complain it's a deal developed by Republicans with no input from Democrats.

"Behind the scenes meeting?" Jacoby asked during a public meeting today at the statehouse. "I must have missed my invitation."

Not only does the proposal outline a way to dramatically reduce commercial and industrial property taxes, it also gives a boost to residential property owners by gradually increasing state support of public schools, essentially replacing property taxes with income taxes, sales taxes and other taxes paid to the state.

Nearly a year ago, when campaigning for a fifth term as governor, Terry Branstad proposed cutting commercial property taxes substantially.

Group argues against cutting commercial property taxes

However, at least one organization is arguing against the tax cuts. A group known as the "Coalition for a Better Iowa" is arguing against lowering commercial property taxes.

While both Democrats and Republicans say property taxes for business and industry are disproportionately high compared to those on farms and home, the coalition's Victor Elias urged the House Ways and Means committee to consider the total tax burden on Iowa businesses, not just their property taxes.

"A lot of talk has been on the need to address commercial property taxes, which are viewed as being too high in comparison to other states," Elias says, "I think if you're looking at commercial property taxes because of its effect on economic development and business location decisions, you need to look at the total tax responsibility that businesses face."

Elias and the coalition have been the lone voice questioning the need to lower commercial property taxes. "When you look at total effective taxes paid by businesses, Iowa ranks in the middle or the lower half of states. Not looking at our high nominal rates, but when you factor in what they actually pay, we are not a high tax state for business," Elias says.

The Coalition includes non-profit, labor, and human service organizations.

3. Iowa House Passes Nuclear Plant Bill

The Iowa House has endorsed a bill that may eventually allow MidAmerican Energy to collect fees from its customers to cover about half the costs of building a new nuclear power facility in Iowa.

Representative Chuck Soderberg, a Republican from Le Mars, is a vice president for Northwest Iowa Power Cooperative. "This is a huge step for Iowa and it's a huge step if we believe that we want to continue to grow this state," Soderberg said to open Tuesday's House debate of the measure.

The bill passed on a 68-30 vote, after more than five hours of debate. Critics like Representative Mary Mascher of Iowa City suggested nuclear energy is "damaging to the environment" and a "threat" to humans.

"For us to act on this today is really and truly not in the best interest of the state," Mascher said. "It's not in the best interest of Iowans."

Soderberg had a counter argument.

"The easy thing to do today would be do nothing, not adopt energy policy, but I don't think we're here to do the easy thing. We're here to do the right thing," Soderberg said. "...If Iowans, if businesses are expected to stay here, we need to provide them electric power."

Others, like Representative Janet Petersen of Des Moines, noted the irony that House debate of the legislation was being held on the 25th anniversary of the Chernobyl nuclear disaster in the Ukraine.

"Representative Soderberg is telling us the easy thing to do is to do nothing," Petersen said. "I'm saying the important thing to do is to not rush."

Iowa already has one nuclear power plant, about nine miles northwest of Cedar Rapids. If this bill becomes law and MidAmerican is able to secure additional private investment in a new, underground nuclear power facility, it would require federal approval as well. MidAmerican executives say 2020 would likely be the earliest such a plant would start operating. Critics say by raising electric rates, MidAmerican would be guaranteed profits while customers could see their electric bills go up as much as 10 percent.

Representative Bruce Hunter, a Democrat from Des Moines, said his constituents think nuclear energy is too "risky."

"Especially in light of what happened in Japan recently," Hunter said.

Soderberg dismissed those concerns, saying the Japanese plant was 40 years old and the facility MidAmerican envisions would use technology similar to nuclear-powered submarines.

"This is an opportunity, also, to create hundreds of new jobs in the state Iowa," Soderberg said. "It's going to create over 500 new construction jobs. Operating a facility, anywhere from 300-800 new jobs in the state of Iowa, good-paying jobs, average wage \$75,000."

The bill now goes to the Senate, where its future is uncertain.

4. Gaming Bill, On-Line Poker Study Advances

A once-controversial gambling bill has sailed through a House Committee, drawing support from some ardent gambling opponents. The vote in the House State Government Committee was 20 in favor and only three opposed to legislation that calls for a study of how the state's casinos might run an on-line poker network.

Representative Stewart Iverson, a Republican from Clarion, says requiring the Iowa Racing and Gaming Commission to conduct a study of online betting is a good first step. "I think it behooves all of us in the state to really find out how big internet gambling is in the state of Iowa," Iverson says.

Backers say online poker players are getting fleeced by websites today, and having the state casinos in charge of the games would be a consumer-protection measure. "And it's something we do need to get a handle on, but it's kind of tough to get a handle on it when we don't actually know what's going on out there," Iverson says, "so I think that report would be helpful."

The bill as originally drafted would have given the casinos the go-ahead to run poker games on-line, but the bill was scaled back in a senate committee. The legislation cleared the full senate last week.

The bill includes other gambling-related proposals, like establishing racing payouts for the horse industry and limiting how often voters must approve gambling referendums in counties with casinos. The bill passed the senate last week on a 38 to 12 vote. It is now eligible for debate in the full House.

5. Other News: Legislative Briefs

Health Department cites progress in cutting childhood obesity

The state Department of Public Health says Iowa has done a good job of answering concerns about childhood obesity addressed in a new C-D-C report. Health Department Physical Activity Coordinator, Sarah Taylor-Watts says the report looked at data from 2008 and found nearly 78% of Iowa middle and high schools had access to sugar-sweetened drinks during school.

Taylor-Watts says a change in state law has made a big impact. She says the Healthy Kids Act has addressed the issue and they are also looking at the amount of “screen time” kids have in daycare. Taylor-Watts says the Act banned the sale of sugar-sweetened drinks during the school day. The “screen time” issue is still in the works.

She said the beverage restrictions has changed “the environment”, so for most of the day, the availability of sweetened beverages are restricted and kids are more likely to make a healthy choice. Changes were made in the food offerings in school cafeterias beginning last year, and Taylor-Watts says while it’s too early to tell the impact of that move, she believes it will have a lasting effect.

Open meetings bill passes the House, now on to governor

The Iowa House has sent the governor a bill that significantly hikes the financial penalties for public officials who violate Iowa’s open meetings and open records laws. Representative Vicki Lensing, a Democrat from Iowa City, had hoped the bill would include more, but she still urged her colleagues to support the measure.

“It’s a first step, and you know how slowly things move in the legislature, so this could be a huge step forward,” Lensing says. Under current law, an employee of a government agency — from school boards to state government — who “knowingly” violates the state’s “Sunshine” Law could be fined up to five-hundred dollars.

The bill would increase that potential penalty to a maximum of \$2,500, a five-fold increase. Representative Kevin Koester, a Republican from Ankeny, says the goal is to increase transparency in government. “Significant change to the expectation of public officials who knowingly hide an open record,” Koester said.

The bill passed the Senate on March 8th by a 48-0. On Monday afternoon, the proposal passed the House on a 96-0 vote. It now goes to Governor Branstad for his signature or veto.

6. 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.iowa.gov

Issue related legislation:

SIGNED BY THE GOVERNOR

HF 392 PLUMBING LICENSES

Establishes license fees: apprentice & journeyman license (\$50); master (\$125). Reduces the cost for subsequent licenses to 30%. Makes licenses for 3 years and requires that the application be no more than 2 pages. Requires the licensing board to rebate \$3 million in licenses. Requires the board to report on fees and expenses and requires the board to reduce fees in future years if fees exceed expenses by 10%. Does not allow cities and counties to charge license fees but allows inspection and permit fees. Requires the application to have a security page and allows a fee for paper applications if the person can apply electronically instead. Authorizes free renewals instead. Includes provisions on reduced costs for combined licenses. Eliminates a requirement that a journeyman have 4 years experience as an apprentice and that a master meet certain educational and experience requirements. Makes definitions. Adds a waiver for military service to the current waiver provisions for journeymen and masters.

The **House PASSED** the bill 94-0; the **Senate PASSED** the bill 50-0

SF 236 DPS BILL

Proposes substantive changes from DPS. **Fire Service Council:** Adds a member from the Iowa Association of Professional Fire Fighters and strikes the member from the Council of Iowa Fire Fighters. **Building Code: Eliminates the authority of the Building Code Commissioner to adopt rules on minimum plumbing facilities.** **Enforcement:** Eliminates the requirements for various enforcement agencies to send fingerprints to the FBI. Allows final disposition records to be sent to the DPS in electronic format. **Stalking:** Requires persons convicted of stalking to register as a sex offender if the judge or jury determines that the crime was sexually motivated. **Record Access:** Allows the DPS to have access to the deferred judgment docket. **ILEA:** Increases the number of the ILEA council members to 13 (members for deputy sheriffs, the Iowa Peace Officers Association, the Iowa State Police Association, the Iowa Police Chiefs Association and the DOT motor vehicle enforcement, and adds a second sheriff member, one from a county over 50,000 and one with less than 50,000 people.)

The **Senate PASSED** the bill 49-0; the **House PASSED** the bill 95-0

SENATE COMMITTEE ACTION

Senate Appropriations: Voted Out

SSB 1209 FLOOD MITIGATION

Establishes a flood mitigation program, board and fund. Authorizes the use of sales tax revenues for the projects. Defines such projects (levees, embankments, impoundments and conduits to protect property). Requires plans for the projects that includes a description of funding sources and requires that bidding be complete, that the project has received federal funding and that it has been approved by the flood mitigation board before a governmental entity can undertake the project. Requires the governmental entity to have filed a revenue statement with the DNR if sales tax revenue is part of the funding for the project. Requires annual reports. **Board:** Puts the board in the Division of Homeland Security. Sets the membership of the board. Establishes the duties of the board and prohibits the board from approving projects submitted after January 2016. Establishes criteria for approving applications. **Funding:** Establishes the flood mitigation fund. Establishes limits on awards from the fund and for sales tax increment

financing (TIF). Includes provisions on calculating the money raised through TIF and the duties of the DOR. Contains other related provisions. **AMENDED & PASSED**, 20-1

General business legislation:

SIGNED BY THE GOVERNOR

HF 597 EXTERNAL HEALTH CARE REVIEW

Enacts provisions for the external review of adverse determinations by insurers, as required by federal health care reform. Allows a person to request an external review for a denial of an experimental treatment. Establishes standards for review, disclosure and other provisions.

The **House PASSED** the bill 94-0; the **Senate PASSED** the bill 50-0

SF 515 STREAMLINED SALES TAX

Makes conforming changes to the streamlined sales tax, including the sourcing of taxable services, durable medical equipment, direct mail provisions, taxing one-way pages and other matters.

The **Senate PASSED** the bill 49-1; the **House PASSED** the bill 96-0

HOUSE COMMITTEE ACTION

House Ways & Means: Voted Out

HF 636 VACANT PROPERTY EXEMPTION

Establishes an exemption from property taxes for commercial property in a revitalization area that has been vacant for more than six months. Adds conditions that the value of the property has declined and that it regularly attract certain nuisances. Establishes a fifteen-year exemption schedule and an alternate five-year exemption schedule. Establishes a ten-year schedule for properties if the improvements meet the LEED gold rating standard. **AMENDED & PASSED** 25-0

HSB 240 GOP PROPERTY TAX CUT PROPOSAL

State School Aid: Increases the state school foundation aid to 100% over 7 years.
Property Tax Assessments: Sets the assessment limit for residential and farm property at 2%. Assesses commercial and industrial property at 92% of value as of 2012 and rolls back the assessments 8% a year until those assessments reach 60% in 2016. States the intent that the Legislature will fund any reductions to local governments. Makes appropriations. **Local Governments:** Establishes new spending limits for local governments based on maximum property tax spending in the previous year, an annual growth rate and the amount of new net value. Allows spending above that limit if approved at a special election. Establishes requirements for ending balances. Limits ending balances to 25% unless the funds are reserved for a specific purpose. Includes other restrictions. Authorizes additional authority to levy property taxes for cities and counties that meet ending balance levels. Allows this to be carried forward through 2017 but does not allow the additional authority to be used when computing spending limits. **AMENDED & PASSED** 16-9

The following legislation was introduced this past week in the Iowa House and Senate. For full details of the legislation, please visit www.legis.iowa.gov

Issue related legislation:

HSB 241 FLOOD MITIGATION

Establishes a flood mitigation program, board and fund. Authorizes the use of sales tax revenues for the projects. Defines such projects (levees, embankments, impoundments and conduits to protect property). Requires plans for the projects that includes a description of funding sources and requires that bidding be complete, that the project has received federal funding and that it has been approved by the flood mitigation board before a governmental entity can undertake the project. Requires the governmental entity to have filed a revenue statement with the DNR if sales tax revenue is part of the funding for the project. Requires annual reports. **Board:** Puts the board in the Division of Homeland Security. Sets the membership of the board. Establishes the duties of the board and prohibits the board from approving projects submitted after January 2016. Establishes criteria for approving applications. **Funding:** Establishes the flood mitigation fund. Establishes limits on awards from the fund and for sales tax increment financing (TIF). Includes provisions on calculating the money raised through TIF and the duties of the DOR. Contains other related provisions. **Hogg (C), Bartz, Danielson, Dix, Dvorsky**

SF 532 FLOOD MITIGATION (Successor to SSB 1209)

Establishes a flood mitigation program, board and fund. Authorizes the use of sales tax revenues for the projects. Defines such projects (levees, embankments, impoundments and conduits to protect property). Requires plans for the projects that includes a description of funding sources and requires that bidding be complete, that the project has received federal funding and that it has been approved by the flood mitigation board before a governmental entity can undertake the project. Requires the governmental entity to have filed a revenue statement with the DNR if sales tax revenue is part of the funding for the project. Requires annual reports. Does not allow a governmental entity to apply for a flood mitigation project if it has previously received mitigation funding or certain disaster funding. **Board:** Puts the board in the Division of Homeland Security. Sets the membership of the board. Establishes the duties of the board and prohibits the board from approving projects submitted after January 2016. Establishes criteria for approving applications. Allows the board to consult with the Iowa Flood Center. **Funding:** Establishes the flood mitigation fund. Establishes the sales tax increment financing (TIF) fund. Establishes limits on awards from the mitigation fund (\$4 million) and on amounts from sales tax increment financing fund (\$15 million annually for one entity). Includes provisions on calculating the money raised through TIF and the duties of the DOR. Limits the total amount of sales taxes collected for the fund to \$30 million. Makes the governmental entity responsible for bond payments if the sales taxes collected are not enough. Contains other related provisions. **AMENDED & PASSED 20-**

1

General business legislation:

HF 690 VACANT PROPERTY EXEMPTION (Successor to HF 636)

Establishes an exemption from property taxes for commercial property in a revitalization area that has been vacant for more than six months. Adds conditions that the value of the property has declined and that it regularly attract certain nuisances. Establishes a fifteen-year exemption schedule (ranging from 80% to 20%) and an alternate five-year

exemption schedule (100% each year for the five years). Establishes a ten-year schedule for properties if the improvements meet certain national standards (100% for the first five years, then reduced each year for the last five years). Effective on enactment.

HF 691 GOP PROPERTY TAX CUT PROPOSAL (Successor to HSB 240)

State School Aid: Increases the state school foundation aid to 100% over 7 years.

Property Tax Assessments: Sets the assessment limit for residential and farm property at 2%. Assesses commercial and industrial property at 92% of value as of 2012 and rolls back the assessments 8% a year until those assessments reach 60% in 2016. States the intent that the Legislature will fund any reductions to local governments. Makes appropriations. **Local Governments:** Establishes new spending limits for local governments based on maximum property tax spending in the previous year, an annual growth rate and the amount of new net value. Allows spending above that limit if approved at a special election. Establishes requirements for ending balances. Limits ending balances to 25% unless the funds are reserved for a specific purpose. Includes other restrictions. Authorizes additional authority to levy property taxes for cities and counties that meet ending balance levels. Allows this to be carried forward through 2017 but does not allow the additional authority to be used when computing spending limits.

HSB 240 GOP PROPERTY TAX CUT PROPOSAL

State School Aid: Increases the state school foundation aid to 100% over 7 years.

Property Tax Assessments: Assesses commercial and industrial property at 92% of value as of 2012 and rolls back the assessments 8% a year until those assessments reach 60% in 2016. States the intent that the Legislature will fund any reductions to local governments. **Local Governments:** Establishes new spending limits for local governments based on maximum property tax spending in the previous year, a 2% annual growth rate and the amount of new net value. Establishes requirements for ending balances. Includes other spending requirements.

HSB 244 UNEMPLOYMENT ACCOUNT PAYMENTS

Bases the contribution rate of an employer with an inactive account for unemployment compensation who pays wages within 12 quarters of the end of the last quarter in which the employer paid wages on the experience of the employer's reactivated account.

Lobbyist Contact Information:

Wasker Dorr Wimmer & Marcouiller, P.C.
4201 Westown Parkway, Suite 250
West Des Moines, IA 50266-6720

TEL: 515-283-1801
FAX: 515-283-1802

Bill Wimmer
515-371-8920 (cell)
bwimmer@wdwm.net

Craig Schoenfeld
515-371-8921 (cell)
cschoenfeld@wdwm.net
Twitter: @OnTheHill_Iowa