



OFFICE OF THE GOVERNOR

THOMAS J. VILSACK
GOVERNOR

SALLY J. PEDERSON
LT. GOVERNOR

June 6, 2005

The Honorable Chester Culver
Secretary of State
State Capitol Building
LOCAL

Dear Mr. Secretary:

I hereby transmit:

House File 761, an Act relating to improvement of the early care, child care services, education, health, and human services systems, revising the child and dependent care tax credit, creating an early childhood development tax credit, and providing an applicability date.

The above House File is hereby approved this date.

Sincerely,

A handwritten signature in black ink that reads "Thomas J. Vilsack".

Thomas J. Vilsack
Governor

TJV:jmc

cc: Secretary of the Senate
Chief Clerk of the House





HOUSE FILE 761

AN ACT

RELATING TO IMPROVEMENT OF THE EARLY CARE, CHILD CARE SERVICES, EDUCATION, HEALTH, AND HUMAN SERVICES SYSTEMS, REVISING THE CHILD AND DEPENDENT CARE TAX CREDIT, CREATING AN EARLY CHILDHOOD DEVELOPMENT TAX CREDIT, AND PROVIDING AN APPLICABILITY DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

IOWA EMPOWERMENT BOARD

Section 1. Section 28.1, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 3A. "Early care", "early care services", or "early care system" means the programs, services, support, or other assistance made available to a parent or other person who is involved with addressing the health and education needs of a child from birth through age five. "Early care", "early care services", or "early care system" includes but is not limited to public and private efforts and formal and informal settings.

Sec. 2. Section 28.2, subsection 3, Code 2005, is amended to read as follows:

3. To achieve the initial set of desired results, the initiative's primary focus shall first be on the efforts of the state and communities to work together to improve the efficiency and effectiveness of early care, education, health, and human services provided to families with children from birth through age five years.

Sec. 3. Section 28.3, subsections 1 and 2, Code 2005, are amended to read as follows:

1. An Iowa empowerment board is created to facilitate state and community efforts involving community empowerment areas, including strategic planning, funding identification, and guidance, and to promote collaboration among state and local early care, education, health, and human services programs.

2. The Iowa board shall consist of eighteen voting members with thirteen citizen members and five state agency members. The five state agency members shall be the directors of the following departments: economic development, education, human rights, human services, and public health. The thirteen citizen members shall be appointed by the governor, subject to confirmation by the senate. The governor's appointments of citizen members shall be made in a manner so that each of the state's congressional districts is represented by two citizen members and so that all the appointments as a whole reflect the ethnic, cultural, social, and economic diversity of the state. The governor's appointees shall be selected from individuals nominated by community empowerment area boards. The nominations shall reflect the range of interests represented on the community boards so that the governor is able to appoint one or more members each for early care, education, health, human services, business, faith, and public interests. At least one of the citizen members shall be a service consumer or the parent of a service consumer. Terms of office of all citizen members are three years. A vacancy on the board shall be filled in the same manner as the original appointment for the balance of the unexpired term.

Sec. 4. Section 28.3, subsection 5, Code 2005, is amended to read as follows:

5. A community empowerment assistance team or teams of state agency representatives shall be designated to provide technical assistance and other support to community empowerment areas and for the board's efforts to address early care, education, health, and human services. A technical assistance system shall be developed using local representatives of the state agencies represented on the Iowa board and other state agencies and individuals involved with local community-empowerment-areas early care, education, health, and human services. ~~The technical assistance shall be available in at least three levels of support as follows:~~

~~a.--Support-to-areas-experienced-in-operating-an-innovation zone-or-decategorization-project-with-an-extensive-record-of success-in-collaboration-between-education,health,-or-human services-interests-~~

~~b.--Support-to-areas-experienced-in-operating-an-innovation zone-or-decategorization-project-~~

~~c.--Support-to-areas-forming-an-initial-community empowerment-area-with-no-previous-experience-operating-an innovation-zone-or-decategorization-project-~~

Sec. 5. Section 28.3, subsection 6, paragraph b, Code 2005, is amended to read as follows:

b. In addition, a community empowerment office is established as a division of the department of management to provide a center for facilitation, communication, and coordination for community empowerment activities and funding and for improvement of the early care, education, health, and human services systems. Staffing for the community empowerment office shall be provided by a facilitator or coordinator appointed by the governor, subject to confirmation by the senate, and who serves at the pleasure of the governor. A deputy and support staff may be designated, subject to appropriation made for this purpose. The facilitator or coordinator shall submit reports to the governor, the Iowa board, and the general assembly. The facilitator shall provide primary staffing to the board, coordinate state technical assistance activities and implementation of the technical assistance system, and other communication and coordination functions to move authority and decision-making responsibility from the state to communities and individuals.

Sec. 6. Section 28.3, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 6A. The director of the department of management shall designate early care staff, as part of the community empowerment initiative, to provide coordination and other support to the state's early care system. The early care staff shall work with the state and local components of the community empowerment initiative, shared visions programs funded under chapter 256A, and other public and private efforts to improve the early care system. The early care staff duties shall include but are not limited to the following:

a. Providing support to the public and private stakeholders who are involved with the early care system, acting to strengthen the early care system, and developing accountability measures for early care efforts.

b. Developing and disseminating accountability measures for assessing the outcomes produced by the department of education, the community empowerment initiative, and other publicly funded efforts to improve early care of young children, including but not limited to shared visions and other programs provided under the auspices of the child development coordinating council, high-quality preschool programs, head start programs, and school ready children grant programs. The initial measures utilized shall be the individual growth and development indicators developed by the early childhood research institute on measuring growth and development or other measures of high quality to be authorized by law.

c. Collecting, interpreting, and redisseminating data collected from the measures for assessing outcomes under paragraph "b". Factors subject to interpretation may include area demographics, relative expenditures, collaboration between programs in an area, and other factors impacting the outcomes produced by an individual program.

d. Annually providing information to the governor and general assembly regarding the outcomes produced by individual programs. The information shall be included in the Iowa empowerment board's annual report.

Sec. 7. Section 28.4, subsection 4, Code 2005, is amended to read as follows:

4. Identify boards, commissions, committees, and other bodies in state government with overlapping and similar purposes which contribute to redundancy and fragmentation in early care, education, health, and human services programs provided to the public. The board shall also make recommendations and provide an annually updated strategic plan to the governor and general assembly as appropriate for increasing coordination between these bodies, for eliminating bureaucratic duplication, for consolidation where appropriate, and for improving the efficiency of working with federally mandated bodies, for integration of services and service

quality functions to achieve improved results, and for integration of state-administered funding streams directed to community empowerment areas and other community-based efforts for providing early care, education, health, and human services.

Sec. 8. Section 28.4, subsection 12, paragraph d, Code 2005, is amended to read as follows:

d. The Iowa empowerment board shall regularly make information available identifying community empowerment funding and funding distributed ~~through the funding streams listed under this paragraph "d" to communities~~ for purposes of the early care system. It is the intent of the general assembly that the community empowerment area boards and the administrators of the early care programs located within the community empowerment areas that are supported by ~~the listed funding streams~~ public funding shall fully cooperate with one another ~~on or before the indicated fiscal years,~~ in order to avoid duplication, enhance efforts, combine planning, and take other steps to best utilize the funding to meet the needs of the families in the areas. The community empowerment area boards and the program administrators shall annually submit a report concerning such efforts to the community empowerment office. If a community empowerment area is receiving a school ready children grant, this report shall be an addendum to the annual report required under section 28.8. The state community empowerment facilitator or coordinator shall compile and summarize the reports which shall be submitted to the governor, general assembly, and Iowa board. ~~The funding streams shall include all of the following:~~

~~(1) -- Moneys for the healthy opportunities for parents to experience success -- healthy families Iowa program under section 135.106 by the fiscal year beginning July 17, 2000, and ending June 30, 2001.~~

~~(2) -- Moneys for parent education appropriated in section 279.51 and distributed through the child development coordinating council, by the fiscal year beginning July 17, 2000, and ending June 30, 2001.~~

~~(3) -- Moneys for the preschool children at risk program appropriated in section 279.51 and distributed through the child development coordinating council, by the fiscal year beginning July 17, 2001, and ending June 30, 2002.~~

~~(4)--Moneys-for-home-visitation-and-parent-support-annually appropriated-to-the-department-of-human-services-and distributed-or-expended-through-child-abuse-prevention-grants and-the-family-preservation-program,-by-the-fiscal-year beginning-July-1,-2000,-and-ending-June-30,-2001-~~

Sec. 9. Section 28.4, Code 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 13. Integrate statewide quality standards and results indicators adopted by other boards and commissions into the Iowa empowerment board's funding requirements for investments in early care, education, health, and human services.

NEW SUBSECTION. 14. With the assistance of the state departments represented on the Iowa empowerment board and the community empowerment office, develop and implement requirements for community empowerment areas and the state administrators of programs providing early care or early care services to annually report to the public and the early care coordinator regarding the results produced by the community empowerment initiative and by the programs. Source data shall be made available to the early care coordinator.

Sec. 10. Section 28.5, subsection 1, Code 2005, is amended to read as follows:

1. The purpose of a community empowerment area is to enable local citizens to lead collaborative efforts involving early care, education, health, and human services programs on behalf of the children, families, and other citizens residing in the area. Leadership functions may include but are not limited to strategic planning for and oversight and managing of such programs and the funding made available to the community empowerment area for such programs from federal, state, local, and private sources. The initial focus of the purpose is to improve results for families with young children.

Sec. 11. Section 28.6, subsection 1, paragraph a, Code 2005, is amended to read as follows:

a. Community empowerment area functions shall be performed under the authority of a community empowerment area board. A majority of the members of a community board shall be elected officials and members of the public who are not employed by a

provider of services to or for the community board. At least one member shall be a service consumer or the parent of a service consumer. Terms of office of community board members shall be not more than three years and the terms shall be staggered. The membership of a community empowerment area board shall include members with early care, education, health, human services, business, faith, and public interests.

Sec. 12. Section 28.8, subsection 5, paragraph a, Code 2005, is amended to read as follows:

a. A school ready children grant shall be awarded to a community board for a three-year period, with annual payments made to the community board. The Iowa empowerment board may grant an extension from the award date and any application deadlines based upon the award date, to allow for a later implementation date in the initial year in which a community board submits a comprehensive school ready grant plan to the Iowa empowerment board. However, receipt of continued funding is subject to submission of the required annual report and the Iowa board's determination that the community board is measuring, through the use of performance and results indicators developed by the Iowa board with input from community boards, progress toward and is achieving the desired results identified in the grant plan. If progress is not measured through the use of performance and results indicators toward achieving the identified results, the Iowa board may request a plan of corrective action, withhold any increase in funding, or ~~may~~ withdraw grant funding.

Sec. 13. Section 28.8, subsection 5, paragraph c, unnumbered paragraph 1, Code 2005, is amended to read as follows:

A community board's readiness shall be ascertained by evidence of successful collaboration among public or private early care, education, ~~human-services,~~ or health, or human services interests or a documented program design evincing a strong likelihood of leading to a successful collaboration between these interests. Other criteria which may be used by the Iowa board to ascertain readiness and to determine funding amounts include one or more of the following:

Sec. 14. Section 28.8, subsection 5, Code 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. The Iowa empowerment board shall identify and apply limitations on the carryforward of school ready children grant funding. The limitations shall address an unusually high percentage of a grant being carried forward, the number of years a grant has been carried forward which shall not exceed three years, and other objective criteria. The limitations shall make allowances for special circumstances such as the carryforward of funding that is designated for a particular purpose and is scheduled in the grant plan. The board may provide for redistribution or other redirection of the funding that meets the criteria.

Sec. 15. NEW SECTION. 28.10 EARLY CARE -- INTERNET WEBPAGE.

1. The Iowa empowerment board shall provide for the operation of an internet webpage for purposes of widely distributing early care information provided by the departments represented on the board and the public and private agencies addressing the early care system.

2. Information provided on the internet webpage shall include but is not limited to all of the following:

a. The early learning standards for children ages three to five proposed by the early learning standards group created pursuant to federal child care and development block grant requirements and with assistance from the Iowa child care and early education network, department of education, department of human services, Iowa head start association, and Iowa state university of science and technology, as prepared with consideration of the standards and recommendations issued by the United States department of education regarding early childhood cognitive development and learning and preschool and research-based standards for high-quality early care, including but not limited to the practices identified by the institute of education sciences of the United States department of education. As early learning standards are identified in law, the proposed standards posted on the webpage shall be replaced with the standards identified in law.

b. A link to a special webpage directed to parents, including parent-specific information on early care, information regarding the early childhood development credits

under section 422.12C, and links to other resources available on the internet and from other sources.

c. Program standards for early care that have been approved by state agencies.

d. A single point of contact for use by a parent in accessing the community empowerment area programs and early care programs that are available in the parent's area.

3. The Iowa empowerment board shall include information regarding the extent and frequency of usage of the webpage or webpages in the board's annual report to the governor and general assembly.

Sec. 16. NEW SECTION. 279.60 KINDERGARTEN ASSESSMENT.

Each school district shall administer the dynamic indicators of basic early literacy skills kindergarten benchmark assessment or other kindergarten benchmark assessment adopted by the department of education in consultation with the Iowa empowerment board to every kindergarten student enrolled in the district not later than October 1. The school district shall also collect information from each parent, guardian, or legal custodian of a kindergarten student enrolled in the district, including but not limited to whether the student attended preschool, factors identified by the early care staff pursuant to section 28.3, and other demographic factors. Each school district shall report the results of the assessment and the preschool information collected to the department of education in the manner prescribed by the department not later than January 1 of that school year. The early care staff designated pursuant to section 28.3 shall have access to the raw data. The department shall review the information submitted pursuant to this section and shall submit its findings and recommendations annually in a report to the governor, the general assembly, the Iowa empowerment board, and the community empowerment area boards.

Sec. 17. EARLY CARE AND CHILD CARE PROVIDER INCENTIVES.

The Iowa empowerment board shall conduct a study of incentives that can be made available to persons who provide early care, as defined in section 28.1, as amended in this Act, and child care, including but not limited to providers of child care regulated by the department of human services or the

department of education, preschools, head start programs, and other persons who have no or limited benefit packages and provide services to children. The incentives studied shall include but are not limited to forgivable loans for higher education expenses, health care benefits, and retirement benefits. The board shall report to the governor and general assembly on or before December 16, 2005, with findings, recommendations, and a fiscal analysis of options.

Sec. 18. EARLY CARE INTEGRATION PLAN. The community empowerment office of the department of management, with the assistance of the departments represented on the Iowa empowerment board, shall develop a plan to integrate the efforts of the state agency staff who have job functions directed to the early care system, as defined in section 28.1, as amended in this Act. The plan shall be submitted to the chairpersons and ranking members of the committees on human resources and education of the senate and the house of representatives on or before December 16, 2006.

Sec. 19. IMPLEMENTATION OF INTERNET WEBPAGE. The internet webpage required pursuant to section 28.10, as enacted by this Act, shall be implemented on or before March 1, 2006.

DIVISION II

CHILD CARE QUALITY RATING

Sec. 20. Section 237A.30, Code 2005, is amended by striking the section and inserting in lieu thereof the following:

237A.30 VOLUNTARY CHILD CARE QUALITY RATING SYSTEM.

1. The department shall work with the community empowerment office of the department of management established in section 28.3 and the state child care advisory council in designing and implementing a voluntary quality rating system for each provider type of child care facility.

2. The criteria utilized for the rating system may include but are not limited to any of the following: facility type; provider staff experience, education, training, and credentials; facility director education and training; an environmental rating score or other direct assessment environmental methodology; national accreditation; facility history of compliance with law and rules; child-to-staff ratio; curriculum, including the extent to which the

curriculum focuses on the stages of child development and on child outcomes; business practices; staff retention rates; evaluation of staff members and program practices; staff compensation and benefit practices; provider and staff membership in professional early childhood organizations; and parental involvement with the facility.

3. A facility's quality rating may be included on the internet page and in the consumer information provided by the department pursuant to section 237A.25 and shall be identified in the child care provider referrals made by child care resource and referral service grantees under section 237A.26.

Sec. 21. PHASED IMPLEMENTATION.

1. Effective July 1, 2005, the department of human services shall no longer accept applications for the gold seal quality designation for child care providers under section 237A.30, Code 2005. However, if a child care provider has been awarded the designation prior to July 1, 2005, the designation may continue to be utilized for that provider until the designated period of nationally recognized accreditation for which the gold seal designation was awarded has ended.

2. The department of human services shall commence implementation of the voluntary child care quality rating system under section 237A.30, as amended by this Act, by awarding ratings beginning on or after January 1, 2006. The department may modify implementation of the rating system and the rating system itself as necessary to conform to the funding made available for the rating system for the fiscal year beginning July 1, 2005.

Sec. 22. FEDERAL COORDINATION INITIATIVE. If an opportunity is offered by the federal government and the department of management, in consultation with the relevant state agency directors and the Iowa head start association, has determined that participation in the opportunity would not adversely affect head start programs in Iowa, the Iowa empowerment board and the state agencies represented on the board shall apply for Iowa to participate in a head start pilot program designed to promote coordination of state head start, preschool, and child care programs into a comprehensive early childhood system.

DIVISION III

EARLY CHILDHOOD DEVELOPMENT TAX CREDIT

Sec. 23. Section 422.12C, subsection 1, paragraph f, Code 2005, is amended to read as follows:

f. For a taxpayer with net income of forty thousand dollars or more, ~~zero~~ but less than forty-five thousand dollars, thirty percent.

Sec. 24. Section 422.12C, subsection 1, Code 2005, is amended by adding the following new paragraph:

NEW PARAGRAPH. g. For a taxpayer with net income of forty-five thousand dollars or more, zero percent.

Sec. 25. Section 422.12C, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 1A. a. In lieu of the child and dependent care credit authorized in subsection 1, a taxpayer may claim an early childhood development tax credit equal to twenty-five percent of the first one thousand dollars which the taxpayer has paid to others for each dependent, as defined in the Internal Revenue Code, ages three through five for early childhood development expenses. In determining the amount of early childhood development expenses, such expenses paid during November and December of the previous tax year shall be considered paid in the tax year for which the tax credit is claimed. This credit is available to a taxpayer whose net income is less than forty-five thousand dollars. If the early childhood development tax credit is claimed for a tax year, the taxpayer and the taxpayer's spouse shall not claim the child and dependent care credit under subsection 1. As used in this subsection, "early childhood development expenses" means services provided to the dependent by a preschool, as defined in section 237A.1, materials, and other activities as follows:

(1) Books that improve child development, including textbooks, music books, art books, teacher's editions, and reading books.

(2) Instructional materials required to be used in a child development or educational lesson activity, including but not limited to paper, notebooks, pencils, and art supplies.

(3) Lesson plans and curricula.

(4) Child development and educational activities outside the home, including drama, art, music, and museum activities, and the entrance fees for such activities, but not including food or lodging, membership fees, or other nonacademic expenses.

"Early childhood development expenses" does not include services, materials, or activities for the teaching of religious tenets, doctrines, or worship, the purpose of which is to inculcate those tenets, doctrines, or worship.

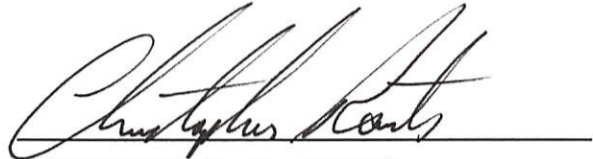
b. Each taxpayer intending to claim a credit under this subsection shall apply, on forms provided by the department, for the credit by filing a notice with the department no later than November 1 of the tax year to which the credit is applicable. The notice shall provide supporting documentation as required by the department. The department shall compute the total amount of credits contained in the notices received by the department. The total amount of credits that may be approved for any fiscal year for purposes of this subsection is limited to two million five hundred thousand dollars. If tax credits under this subsection exceed this limit, each taxpayer shall receive a pro rata amount of the credit as determined by the department. The department shall notify the taxpayer of the amount of the taxpayer's credit no later than January 1 following the deadline for receipt of the notice.

Sec. 26. Section 422.12C, subsection 3, Code 2005, is amended to read as follows:

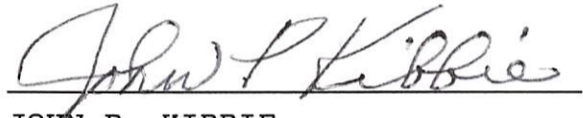
3. Married taxpayers who have filed joint federal returns electing to file separate returns or to file separately on a combined return form must determine the child and dependent care credit under subsection 1 or the early childhood development tax credit under subsection 1A based upon their combined net income and allocate the total credit amount to each spouse in the proportion that each spouse's respective net income bears to the total combined net income. Nonresidents or part-year residents of Iowa must determine their Iowa child and dependent care credit in the ratio of their Iowa source net income to their all source net income. Nonresidents or part-year residents who are married and elect to file separate returns or to file separately on a combined return form must allocate the Iowa child and dependent care

credit between the spouses in the ratio of each spouse's Iowa source net income to the combined Iowa source net income of the taxpayers.

Sec. 27. APPLICABILITY DATE. This division of this Act applies to tax years beginning on or after January 1, 2006.



CHRISTOPHER C. RANTS
Speaker of the House



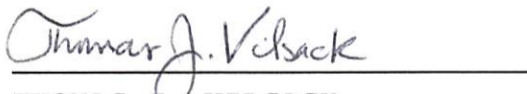
JOHN P. KIBBIE
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 761, Eighty-first General Assembly.



MARGARET THOMSON
Chief Clerk of the House

Approved June 6, 2005



THOMAS J. VILSACK
Governor