



MINUTES

Iowa Legislative Council

June 25, 2014 Second Meeting of the 2013-2014 Biennium

MEMBERS PRESENT:

Senator Michael E. Gronstal,
Chairperson
Senator Jeff Danielson
Senator Bill Dix
Senator Robert E. Dvorsky
Senator Pam Jochum
Senator David Johnson
Senator Amanda Ragan
Senator Roby Smith
Senator Mary Jo Wilhelm

Speaker Kraig Paulsen,
Vice Chairperson
Representative Peter Cownie
Representative Chris Hagenow
Representative Mary Mascher
Representative Thomas R. Sands
Representative Mark D. Smith
Representative Chuck Soderberg
Representative Linda L. Upmeyer

MEETING IN BRIEF

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- I. Procedural Business
- II. Consideration of the Report of the Fiscal Committee
- III. Consideration of the Report of the Legislative Tax Expenditure Committee
- IV. Consideration of the Report of the Service Committee
- V. Consideration of the Report of the Studies Committee
- VI. Court Rules
- VII. Attachments



I. Procedural Business

Call to Order. The second meeting of the 2013-2014 Legislative Council was called to order by Chairperson Gronstal at 9:32 a.m., Wednesday, June 25, 2014, in Room 22, State Capitol, Des Moines, Iowa. Senators Danielson, Johnson, and Smith and Representatives Sands and Soderberg attended the meeting via a telecommunications connection.

Minutes of Prior Meeting. Senator Dvorsky moved that the minutes of the meeting of July 18, 2013, be approved without additions or corrections. The motion was approved by voice vote.

Consideration of Reports. Council actions are summarized in these minutes.

Adjournment. The meeting was adjourned at 9:41 a.m.

II. Consideration of the Report of the Fiscal Committee

Chairperson Gronstal recognized Senator Dvorsky, who presented the Report of the Fiscal Committee, and thanked Holly Lyons and Dave Reynolds for the excellent staffing assistance provided by the Legislative Services Agency to the Fiscal Committee. There being no objection, the report was received and filed. A copy of the report is attached to these minutes as Attachment A.

III. Consideration of the Report of the Legislative Tax Expenditure Committee

Chairperson Gronstal called members' attention to the Report of the Legislative Tax Expenditure Committee. There being no objection, the report was received and filed. A copy of the report is attached to these minutes as Attachment B.

IV. Consideration of the Report of the Service Committee

Chairperson Gronstal recognized Vice Chairperson Paulsen for the Report of the Service Committee. Vice Chairperson Paulsen explained that the report contains annual personnel reports from the Legislative Services Agency and the Office of Ombudsman, including recommended promotions. The report recommends that the Legislative Council approve the proposed promotions and the proposed budgets for FY 2014-2015 for the Legislative Services Agency and the Office of Ombudsman. Vice Chairperson Paulsen noted that the Service Committee discussed the need to develop a legislative branch policy moving forward regarding employee educational leave and the payment or reimbursement of attendance costs and the application of the policy to employees requesting education financial assistance. The motion to adopt the report was approved by a voice vote. A copy of the report is attached to these minutes as Attachment C.

V. Consideration of the Report of the Studies Committee

Chairperson Gronstal recognized Vice Chairperson Paulsen for the Report of the Studies Committee. The report recommends that the Legislative Council approve the enumerated studies mandated by law, permanent committees, and the establishment of other committees and their



charges. The report also recommends that, with two exceptions noted, committee meetings not be scheduled until after the general election on November 4, 2014. The motion to adopt the report was approved by a voice vote. A copy of the report is attached to these minutes as Attachment D.

VI. Court Rules

There being no objection, changes to Court Rules were designated as received and filed by the Legislative Council.

VII. Attachments

- A. Report of the Fiscal Committee.
- B. Report of the Legislative Tax Expenditure Committee.
- C. Report of the Service Committee.
- D. Report of the Studies Committee.

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Report of the Fiscal Committee to the Legislative Council June 25, 2014

The Legislative Fiscal Committee held three meetings during the 2013 interim on the following dates: September 12, 2013; November 7, 2013; and December 13, 2013.

The September 12 meeting was held at the University of Northern Iowa (UNI). The committee heard presentations from representatives of the Board of Regents and the Regents Universities. The presentations included:

- Drug and Mental Health Courts presented by the Department of Corrections and the First Judicial District Department.
- An overview of the FY 2015 budget request for the Regents institutions presented by representatives of the Board of Regents.
- FY 2015 budget request for the UNI presented by President Bill Ruud.
- An update on the proposed Alternative Out-of-State Tuition Program presented by President Ruud.
- Cedar Valley TechWorks – Advanced Manufacturing Center and UNI Metal Casting presented by UNI representatives and Ms. Sheila Dickey, Manager of Technology Integration at John Deere.
- Legislative Services Agency (LSA) staff presented overviews on the status of the Iowa economy, the General Fund budget, built-in and anticipated expenditures for FY 2015, and the Performance of Duty appropriation.

At the conclusion of the presentations, the committee was provided a tour of the UNI campus.

The November 7 meeting was held on the campus of the Iowa Central Community College located in Fort Dodge. The presentations included:

- Statewide Interoperable Communications Systems Board presented by Sergeant Thomas Lampe, Chairman of the Iowa Statewide Interoperable Communications Systems Board.
- Update on the Iowa Insurance Exchange presented by Mr. Nick Gerhart, Commissioner of Insurance, Iowa Insurance Division.
- Replacement of the State Payroll System and Human Resources Management Information System presented by representatives from the Department of Administrative Services.
- Community college tuition rates and trends presented by representatives from the Department of Education.
- Community colleges legislative priorities for FY 2015 presented by representatives from the community colleges.
- LSA staff presented overviews on the status of the Iowa economy and the General Fund budget.

The December 13 meeting was held at the State Capitol Building. The presentations included:

- The Treasurer of State's Office reviewed Iowa's cash management policies and provided an update on the defeasance of revenue bonds.
- An update on the Iowa Health and Wellness Plan by Ms. Jennifer Vermeer of the Medicaid Enterprise.

- An update of Iowa's disaster recovery presented by Mr. John Benson of the Department of Homeland Security.
- A presentation of the Iowa Public Employees Retirement System (IPERS) by Ms. Donna Mueller, CEO of the IPERS.
- A presentation of the LSA's Five-Year Budget Forecast presented by Mr. Dave Reynolds and Mr. Jeff Robinson of the Fiscal Services Division.
- LSA staff presented updates of the December Revenue Estimating Conference, the Road Use Tax Fund, and the Tax Increment Financing Report.

Materials distributed to the committee are maintained by the Fiscal Services Division and are available upon request. These documents can also be found on the LSA website at: <https://www.legis.iowa.gov/committees/meetings/documents?committee=704&ga=85>

Respectfully Submitted,

Senator Bob Dvorsky
Co-chairperson

Representative Chuck Soderberg
Co-chairperson

REPORT OF THE LEGISLATIVE TAX EXPENDITURE COMMITTEE TO THE LEGISLATIVE COUNCIL

June 2014

Meeting. Members of the Legislative Tax Expenditure Committee of the Legislative Council met on December 4, 2013.

Tax Expenditure Review. The committee received presentations and conducted a review of the following:

I. Endow Iowa Tax Credits

Ms. Peggy Russell, Iowa Economic Development Authority (IEDA), presented a report regarding the Endow Iowa Tax Credit Program, a charitable giving incentive program administered by IEDA. The Endow Iowa Tax Credit Program was established in 2003 to encourage individuals, businesses, and organizations to make lasting investments in their communities when they establish permanent, endowed funds at an Iowa community foundation. The Endow Iowa Tax Credit is a 25 percent tax credit available to all Iowa taxpayers who make a qualifying charitable contribution. To qualify, gifts must be made to a permanent endowment fund established for the benefit of an Iowa charitable cause undertaken by a qualified community foundation. Gifts can be of any size. Credits are awarded by the IEDA on a first-come, first-served basis. They are nonrefundable but can be carried forward for up to five years. As of June 2013, \$6 million in Endow Iowa Tax Credits are available each year overall; the maximum credit amount available per taxpayer each year is \$300,000. Ms. Russell also provided examples of permanent foundations around the state that have received donations from recipients of the Endow Iowa Tax Credit.

Ms. Angela Gullickson, Iowa Department of Revenue (IDR), provided background information and statistical analysis of the Endow Iowa Tax Credit Program. Ms. Gullickson also provided information on similar programs in other states. The data provided by Ms. Gullickson included for each year of the program the total amount and number of credits awarded, the range of credit amounts awarded, and the average credit amount. Ms. Gullickson also provided annual foundation donation data, donor demographic information, and an analysis of the after-tax cost of donations based on household adjusted gross income.

II. Redevelopment Tax Credits

Mr. Matt Rassmussen, IEDA, presented a report regarding the Brownfield and Grayfield Redevelopment Tax Credit Program which provides an investment tax credit for redevelopment projects in Iowa that meet the definition of either a brownfield or grayfield. Under the program, an owner's equity investment in a grayfield project can receive a tax credit of up to 12 percent of a qualifying investment or up to 15 percent if the project meets the requirements of a green development. A brownfield can receive a tax credit of up to 24 percent of a qualifying investment or up to 30 percent if the project meets the requirements of a green development. "Qualifying investment" means costs

that are directly related to a qualifying redevelopment project and are incurred after the project has been registered and approved by the IEDA Board and only includes the purchase price, the cleanup cost, and the redevelopment costs. Applications for the credits are accepted throughout the year and considered on a first-come, first-served basis. Mr. Rasmussen provided details of the application and review process and examples of how the program is being used throughout the state.

Mr. Zhong Jin, IDR, provided background information and statistical analysis of the Brownfield and Grayfield Redevelopment Tax Credit Program and discussed other states' brownfield tax credit programs. Mr. Jin detailed the amount of credit transfers administered by IDR and the number and amount of credit claims under the program. He also analyzed impacts of the projects undertaken using the credits in terms of assessed valuation increases and job growth.

III. Child and Dependent Care and Early Childhood Development Tax Credits

Ms. Mandy Jia, IDR, provided background information and statistical analysis of the Iowa Child and Dependent Care (CDC) Tax Credit and the Iowa Early Childhood Development (ECD) Tax Credit. The CDC Tax Credit is 30 percent to 75 percent of the federal CDC Tax Credit for those whose net Iowa income is less than \$45,000. The federal CDC Tax Credit is 20 percent to 35 percent of the eligible child care expenses for qualifying children under age 13 or disabled dependents. The ECD Tax Credit is 25 percent of the first \$1,000 of eligible early childhood development expenses per child between ages three and five for families with net Iowa income less than \$45,000. Taxpayers can claim only one of the two Iowa credits per tax year. Ms. Jia explained a 2012 administrative rule change to the Iowa CDC Tax Credit that has resulted in taxpayers with no federal tax liability being ineligible for Iowa's CDC credit. In addition to data and analysis regarding Iowa's credits, Ms. Jia also provided information on similar tax benefit programs in other states.

IV. Disaster Recovery Housing Project Tax Credits

Mr. Wes Peterson, Iowa Finance Authority (IFA), addressed the current status of the Disaster Recovery Housing Project Tax Credit Program. The program was established in 2009 to provide tax credits for qualifying investments in disaster recovery housing projects in an area declared to be a disaster area by the Governor or President of the United States during the period of time from May 1, 2008, to August 31, 2008. The amount of the credit is equal to 75 percent of the taxpayer's qualifying investment incurred on or after May 12, 2009, and prior to July 2, 2010. The tax credits are not refundable or transferable. During the administrative rulemaking process, IFA received requests for substantive changes to the enabling legislation. Final rules for the program were never adopted and no applications for the credits have been received by IFA. Mr. Peterson opined that the program's lack of use was due to the availability of other funding sources for such projects. IFA recommends the repeal of the program due to its lack of use. Under 2014 Iowa Acts, SF 2328, the credit program is repealed effective January 1, 2015.

V. Property Tax Revenue Divisions for Urban Renewal Areas

Mr. Jeff Robinson, Legislative Services Agency (LSA); Ms. Carrie Johnson, Iowa Department of Management (DOM); and Mr. Ted Nellesen, DOM, provided an update and compliance report to the committee on the urban renewal area reporting requirements enacted in 2012. Mr. Robinson provided aggregate data on the reporting status of the local governments, information on the number of taxing districts by purpose designation, data on the financial status of urban renewal area tax revenue, and data on the amount and type of debt reported by local governments. Mr. Robinson noted that the data presented to the committee is preliminary and that final numbers would be presented in the LSA's annual report in February 2014.

Mr. Tony Girardi, IDR, provided background information on Iowa's urban renewal area law and a description of his ongoing research into the efficacy of tax increment financing. Mr. Girardi described the use of tax increment financing in other states and noted differences in Iowa's urban renewal law. While noting the limited research on tax increment financing, Mr. Girardi identified some of the questions his research hopes to address. Mr. Girardi provided statewide historical property assessment data and tax increment financing property tax revenue data, discussed tax increment financing's impact on the school aid formula, and examined the growth in the amount of assessed valuation that has occurred in tax increment financing districts during the past decade. Mr. Girardi provided a description of economic measures he is seeking to analyze, but he also acknowledged the limitations of tax increment financing research in drawing conclusions about the efficacy of tax increment financing.

Respectfully submitted,

Senator Joe Bolkcom, Co-chairperson

Representative Thomas R. Sands,
Co-chairperson

REPORT OF THE SERVICE COMMITTEE TO THE LEGISLATIVE COUNCIL

June 25, 2014

The Service Committee of the Legislative Council met on June 25, 2014, and makes the following report and recommendations to the Legislative Council for approval:

I. PERSONNEL REPORTS

A. The Service Committee received and filed the annual personnel report from the Legislative Services Agency and recommends that the following employees be promoted, subject to performance review with approval of and effective date set by the director of the agency:

- Ms. Denita DeRaad, from Administrative Services Assistant, grade 20, step 3, to Administrative Services Officer, grade 23, step 1.
- Mr. Bob Lamberti, from Legislative Information Officer 2, grade 27, step 7, to Legislative Information Officer 3, grade 30, step 5.
- Ms. Emily Kramer, from Computer Systems Analyst 1, grade 27, step 7, to Computer Systems Analyst 2, grade 29, step 6.
- Ms. Lisa Henschel, from Computer Systems Analyst 2, grade 29, step 3, to Computer Systems Analyst 3, grade 32, step 1.
- Mr. Jonathan Ihm, from Computer Systems Analyst 2, grade 29, step 3, to Computer Systems Analyst 3, grade 32, step 1.
- Mr. Jess Benson, from Legislative Analyst 3, grade 35, step 5, to Senior Legislative Analyst, grade 38, step 3.
- Mr. Kent Ohms, from Legislative Analyst 1, grade 29, step 3, to Legislative Analyst 2, grade 32, step 1.
- Mr. Michael Duster, from Legal Counsel 2, grade 35, step 4, to Senior Legal Counsel, grade 38, step 2.
- Mr. Jack Ewing, from Legal Counsel 1, grade 32, step 3, to Legal Counsel 2, grade 35, step 1.
- Mr. Andrew Ward, from Legal Counsel 1, grade 32, step 3, to Legal Counsel 2, grade 35, step 1.
- Mr. Jamie Croatt, from Administrative Services Officer 1, grade 26, step 5, to Administrative Services Officer 2, grade 29, step 3.
- Ms. Jonetta Douglas, from Administrative Services Officer 1, grade 26, step 8, to Administrative Services Officer 2, grade 29, step 6.

B. The Service Committee received and filed the annual personnel report from the Office of Ombudsman and recommends that the following employees be promoted, subject to performance review with approval of and effective date set by the director of the agency:

- Ms. Linda Brundies, from Assistant Ombudsman 2, grade 32, step 4, to Assistant Ombudsman 3, grade 35, step 2.
- Ms. Angela McBride, from Assistant Ombudsman 2, grade 32, step 8, to Assistant Ombudsman 3, grade 35, step 6.

II. CENTRAL STAFF AGENCY FY 2015 BUDGETS

The Service Committee recommends that the Legislative Council approve the proposed budgets for the fiscal year beginning July 1, 2014, pursuant to Code section 2.12, as submitted by the following agencies:

- Legislative Services Agency
- Office of Ombudsman

Respectfully submitted,

Speaker Kraig Paulsen
Chairperson

**REPORT OF THE STUDIES COMMITTEE
TO THE LEGISLATIVE COUNCIL
June 25, 2014**

The Studies Committee of the Legislative Council met on June 25, 2014, and makes the following report for approval by the Legislative Council:

2014 Studies. That the attached proposal for studies for the 2014 Interim be adopted by the Legislative Council.

Respectfully submitted,

Speaker Kraig Paulsen
Chairperson

2014 Legislative Interim Studies

A. Statutory Committees

1. School Finance Formula Review Committee

Charge: Prepare a school finance formula status report and provide recommendations in accordance with the requirements of Iowa Code §257.1(4), including receiving assistance from the departments of Education, Management, and Revenue; providing recommendations for school finance formula changes or revisions based upon demographic changes, enrollment trends, and property tax valuation fluctuations observed during the preceding five-year interval; providing an analysis of the operation of the school finance formula during the preceding five-year interval; and incorporating a summary of issues that have arisen since the previous review and potential approaches for their resolution.

Members: 5 Senate / 5 House

Meeting Days: 1 day following the November 4 election

2. Legislative Fiscal Committee (Iowa Code §§2.45(2) and 2.46)

Charge: The committee is a permanent legislative committee under the Legislative Council. Duties include directing the administration of performance audits and visitations, studying the operation of state government and making recommendations regarding reorganization to the General Assembly, and conducting studies as assigned by the Legislative Council.

Members: 5 Senate / 5 House

Meeting Days: 2 days

3. Legislative Tax Expenditure Committee (Iowa Code §§2.45(5) and 2.48)

Charge: The committee is a permanent legislative committee under the Legislative Council. Duties include approving annual estimates of the cost of tax expenditures by December 15 each year, and performing a scheduled review of specified tax credits so that each credit is reviewed at least every five years. The fourth scheduled review is in 2014.

Members: 5 Senate / 5 House

Meeting Days: 1 day following the November 4 election

B. Other Interim Studies

1. Cannabidiol Implementation Study Committee

Charge: Monitor implementation of the limited legalization of use in this state of the marijuana oil known as cannabidiol, consider whether the new law is helping the people it is supposed to help, and review the University of Iowa College of Medicine research study called for by the legislation.

Members: 5 Senate / 5 House

Meeting Days: 1 day on or before September 15, 2014

2. Local Government Mandates Study Committee

Charge: Consider testimony and review information concerning state government mandates on local governments that are not funded by the state.

Members: 5 Senate / 5 House

Meeting Days: 1 day following the November 4 election

3. Local Government Public Records Study Committee

Charge: Study requirements and practices relating to local government public records.

Members: 5 Senate / 5 House

Meeting Days: 1 day following the November 4 election

C. Other Studies-related Items

1. If an appropriate request is received from the Iowa Medical Society and Iowa Association for Justice, the Majority Leader of the Senate and the Speaker of the House may authorize a study committee to consider certain medical malpractice issues.