



# MINUTES Legislative Council

Thursday, June 22, 2017

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## MEMBERS PRESENT

Senator Bill Dix, Chairperson  
Senator Jerry Behn  
Senator Joe Bolkcom  
Senator Jeff Danielson  
Senator Randy Feenstra  
Senator Robert Hogg  
Senator Pam Jochum  
Senator Amanda Ragan  
Senator Charles Schneider  
Senator Amy Sinclair  
Senator Jack Whitver

Representative Linda L. Upmeyer, Vice Chairperson  
Representative Liz Bennett  
Representative Peter Cownie  
Representative Pat Grassley  
Representative Chris Hagenow  
Representative Chris Hall  
Representative Brian Meyer  
Representative Zach Nunn  
Representative Mark D. Smith

LSA CONTACTS: Organizational staffing provided by: Glen Dickinson, Secretary to the Legislative Council, (515) 281-4616; and Richard Johnson, Division Director, (515) 281-3894; Minutes prepared by: Susan Crowley, Legal Editor, (515) 281-3430

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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. Additional Business
- VII. Attachments



### **I. Procedural Business**

**Call to Order.** The first meeting of the 2017-2018 Legislative Council was called to order by Temporary Chairperson Dix at 11:00 a.m., Thursday, June 22, 2017, in Room 22, State Capitol, Des Moines, Iowa. Senators Danielson and Jochum and Representatives Bennett, Hall, and Nunn attended the meeting via a telecommunications connection. Copies of the membership of the Legislative Council and the Legislative Council committees are attached to these minutes as Attachment A.

**Election of Chairperson and Vice Chairperson.** Representative Hagenow moved that Temporary Chairperson Dix and Temporary Vice Chairperson Upmeyer be elected chairperson and vice chairperson, respectively. The motion was approved by a voice vote.

**Adoption of Rules.** Vice Chairperson Upmeyer moved adoption of the proposed Rules for the Legislative Council, and the motion was approved by a voice vote. The rules, as adopted, are attached to these minutes as Attachment B.

**Minutes of Prior Meeting.** Vice Chairperson Upmeyer moved that the minutes of the meeting of January 4, 2017, be approved without additions or corrections. The motion was approved by a voice vote.

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

**Adjournment.** The meeting was adjourned at 11:20 a.m.

### **II. Consideration of the Report of the Fiscal Committee**

Chairperson Dix recognized Representative Grassley who presented the Report of the Fiscal Committee. Senator Schneider moved adoption of the report, and the motion was approved by a voice vote. The report was received and filed by the Legislative Council. The report is attached to these minutes as Attachment C.

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

Chairperson Dix recognized Senator Feenstra for consideration of the Report of the Legislative Tax Expenditure Committee. Chairperson Dix recognized Senator Bolkom who stated that the committee, when meeting during the 2017 Legislative Interim, should take a hard look at tax expenditures, which are the fastest-growing part of the state budget. He further stated that the committee could identify tax expenditures that are too generous with a view to tightening up those expenditures. Vice Chairperson Upmeyer moved adoption of the report, and the motion was approved by a voice vote. The report was received and filed by the Legislative Council. The report is attached to these minutes as Attachment D.

### **IV. Consideration of the Report of the Service Committee**

Chairperson Dix recognized Vice Chairperson Upmeyer for the Report of the Service Committee. 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 budgets for FY 2017-2018 for the Legislative Services Agency and the Office of Ombudsman. The report also recommends that the Legislative Council approve proposed changes to Legislative Council Policies and Procedures relating to the name change of the Office of Ombudsman, educational benefits, interbranch vacation leave sharing, grievance procedures, and the scope of the harassment policy. In addition, the report recommends that the Legislative Council



approve a 1 percent increase in the legislative staff pay matrix effective with the pay period that includes July 1, 2017. Representative Smith moved adoption of the report, and the motion was approved by a voice vote. The report is attached to these minutes as Attachment E.

## **V. Consideration of the Report of the Studies Committee**

Chairperson Dix recognized Vice Chairperson Upmeyer for the Report of the Studies Committee. The report recommends that the Legislative Council approve the proposed Guidelines for Interim Study Committees for the 2017 and 2018 Legislative Interims. The report also recommends that the Legislative Council approve the enumerated studies mandated by law, permanent committees, and the establishment of one other committee and the charges for the committees.

After Vice Chairperson Upmeyer moved adoption of the report, Senator Hogg asked to be recognized to amend the Studies Committee report to include an interim study committee relating to health care and insurance availability. Senator Hogg stated that because of the uncertainty in the health insurance market, and possible changes to Medicaid and possible repeal of the federal Affordable Care Act, the General Assembly should consider this issue as soon as possible. Senator Bolkcom spoke in support of creating such an interim study committee, stating that the health care market, health care insurers, and employers want stability. He also stated that the state needs to be prepared to address the possible loss of federal Medicaid funds of up to \$700 million for the Iowa Health and Wellness Plan, which loss in funding could adversely affect Iowa's taxpayers. Vice Chairperson Upmeyer agreed that there is some uncertainty on the issue of health care, but stated that rather than creating an interim study committee at this time, she prefers to preserve the General Assembly's prerogative to respond in an ad hoc manner, such as creating work groups on the subject of health care, as more information is received, including from constituents. Representative Smith reiterated the need for a vote on the motion to create a health care interim committee. Representative Meyer called for a roll call vote. The motion failed on a 9 to 11 vote. The original motion to adopt the Report of the Studies Committee was approved by a voice vote. The report is attached to these minutes as Attachment F.

## **VI. Additional Business**

Senator Bolkcom questioned Chairperson Dix about Republican leadership conversations with the Governor on the state budget and the possibility of the Governor calling a special session of the General Assembly to address a projected budget shortfall. Chairperson Dix indicated that there have been ongoing meetings with the Governor to discuss the budget in general, but the question of a special session had not been discussed yet. In response to a further question from Senator Bolkcom, Chairperson Dix stated that it is not a certainty that the state will need to exceed the \$50 million available to the Governor in the Economic Emergency Fund for purposes of preventing a deficit in the General Fund of the State, and there is currently no evidence by which to conclude that.

## **VII. Attachments**

- A. Legislative Council Membership and Legislative Council Committee Memberships.
- B. Rules of the Legislative Council.
- C. Report of the Fiscal Committee.
- D. Report of the Legislative Tax Expenditure Committee.
- E. Report of the Service Committee.



F. Report of the Studies Committee.

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# LEGISLATIVE COUNCIL COMMITTEES 2017

## IOWA LEGISLATIVE COUNCIL

Senator Bill Dix, Chairperson  
Senator Jerry Behn  
Senator Joe Bolkcom  
Senator Jeff Danielson  
Senator Randy Feenstra  
Senator Robert Hogg  
Senator Pam Jochum  
Senator Amanda Ragan  
Senator Charles Schneider  
Senator Amy Sinclair  
Senator Jack Whitver  
Senator Dan Zumbach

### ADMINISTRATION COMMITTEE

Senator Jack Whitver, Chairperson  
Representative Zach Nunn, Vice Chairperson  
Senator Jerry Behn  
Senator Robert Hogg  
Representative Bruce Bearinger  
Representative Peter Cownie

### CAPITAL PROJECTS COMMITTEE

Senator Charles Schneider, Chairperson  
Representative Pat Grassley, Vice Chairperson  
Senator Joe Bolkcom  
Senator Randy Feenstra  
Senator Matt McCoy  
Senator Dan Zumbach  
Representative Brian Meyer  
Representative Helen Miller  
Representative Guy Vander Linden  
Representative Skyler Wheeler

### FISCAL COMMITTEE

Senator Charles Schneider, Co-chairperson  
Representative Pat Grassley, Co-chairperson  
Senator Joe Bolkcom  
Senator Randy Feenstra  
Senator Pam Jochum  
Senator Tim Kraayenbrink  
Representative Peter Cownie  
Representative Chris Hall  
Representative Dave Jacoby  
Representative Guy Vander Linden

Speaker Linda L. Upmeyer, Vice Chairperson  
Representative Liz Bennett  
Representative Peter Cownie  
Representative Pat Grassley  
Representative Chris Hagenow  
Representative Chris Hall  
Representative David E. Heaton  
Representative Brian Meyer  
Representative Helen Miller  
Representative Zach Nunn  
Representative Mark D. Smith  
Representative Matt W. Windschitl

### SERVICE COMMITTEE

Speaker Linda L. Upmeyer, Chairperson  
Senator Bill Dix, Vice Chairperson  
Senator Robert Hogg  
Senator Jack Whitver  
Representative Chris Hagenow  
Representative Mark D. Smith

### STUDIES COMMITTEE

Speaker Linda L. Upmeyer, Chairperson  
Senator Bill Dix, Vice Chairperson  
Senator Robert Hogg  
Senator Amanda Ragan  
Senator Charles Schneider  
Senator Jack Whitver  
Representative Liz Bennett  
Representative Peter Cownie  
Representative Chris Hagenow  
Representative Mark D. Smith

### INTERNATIONAL RELATIONS COMMITTEE

Representative Terry C. Baxter, Chairperson  
Senator Charles Schneider, Vice Chairperson  
Senator Jeff Danielson  
Senator Julian B. Garrett  
Senator Rita Hart  
Senator Tim L. Kapucian  
Representative Ako Abdul-Samad  
Representative Marti Anderson  
Representative Stan Gustafson  
Representative Ashley Hinson  
Representative Zach Nunn  
Representative Art Staed

# LEGISLATIVE COUNCIL COMMITTEES 2017

## TAX EXPENDITURE COMMITTEE

Senator Randy Feenstra, Co-chairperson  
Representative Guy Vander Linden, Co-chairperson  
Senator Joe Bolkcom  
Senator Michael Breitbart  
Senator Pam Jochum  
Senator Roby Smith  
Representative Dave Jacoby  
Representative Jerry A. Kearns  
Representative Zach Nunn  
Representative Matt W. Windschitl

## HEALTH POLICY OVERSIGHT COMMITTEE

Senator Mark Costello, Co-chairperson  
Representative David E. Heaton, Co-chairperson  
Senator Mark Chelgren  
Senator Liz Mathis  
Senator Amanda Ragan  
Senator Mark Segebart  
Representative John Forbes  
Representative Joel Fry  
Representative Lisa Heddens  
Representative Rob Taylor

## **RULES**

### **IOWA LEGISLATIVE COUNCIL**

2017-2018

1. Thirteen members shall constitute a quorum.
2. At least thirteen affirmative votes are required for final action on any motion except a motion to recess or adjourn.
3. A substitute motion may be offered in lieu of a pending motion at any time unless the question has been called on the pending motion. A substitute motion takes precedence over any pending amendment to the original motion and, if adopted, disposes of the original motion and any pending amendments to the original motion.
4. Whenever Mason's Manual of Legislative Procedure does not conflict with the rules specifically adopted by the Council, Mason's Manual of Legislative Procedure shall govern the deliberations of the Council.
5. Meetings shall be set by motion before adjournment, or by call of the Council Chairperson with the approval of the Vice Chairperson if meetings are necessary before the date set in the motion.
6. Rules may be changed by a majority vote of the Council as provided in Rule 2.
7. The Council upon its motion may create committees in addition to those provided by statute to carry out its duties and shall designate the members of those committees. The committees shall include members of both political parties. The actions of the committees shall be reported to the Council at each meeting.
8. Legislative Council committees shall be organized so that a majority of all members of a committee shall constitute a quorum and an affirmative vote of at least a majority of all members of a committee shall be required for final action on any motion except a motion to recess or adjourn. However, for the International Relations Committee, a majority of the committee members of each house shall constitute a quorum and a majority of the committee members of each house shall be required for final action on any motion except a motion to recess or adjourn.
9. The Speaker of the House and the Majority Leader of the Senate shall appoint the members of the majority and the Minority Leaders of the Senate and House of Representatives shall appoint the members of the minority to interim study committees created by the Legislative Council or by statute or resolution.
10. If the appointing authority for members of permanent legislative committees, committees created under Rule 7, statutory bodies, and other bodies is the Legislative Council, the Speaker of the House, Majority Leader of the Senate, and the Minority Leaders of the Senate and House of Representatives, shall make the appointment or appointments.

Adopted: June 22, 2017

## **Report of the Fiscal Committee to the Legislative Council**

### **June 22, 2017**

The Legislative Fiscal Committee held one meeting during the 2016 Legislative Interim on November 14, 2016, at the University of Northern Iowa (UNI). The Committee heard presentations from representatives of the Board of Regents and the Legislative Services Agency (LSA). The presentations are summarized below:

- **UNI Student Government Representatives:** Representatives from the UNI student government presented concerns about major and minor areas of study being eliminated, staff vacancies, fewer opportunities for graduate students, and increasing tuition costs. Other concerns expressed related to a greater need for student mental health services on campus.
- **Two-Year Tuition Plan:** Board President Bruce Rastetter presented the Board of Regents Two-Year Tuition Plan. The two-year plan includes a 2.0% increase in State appropriations each year and a 2.0% increase in resident undergraduate tuition rates each year. The plan also includes differential tuition to ensure that the tuition for more expensive majors, such as engineering, reflects a higher rate of tuition than less expensive majors.
- **Enrollment Trends:** Jason Pontius, Director of Institutional Research for the Board of Regents, discussed enrollment trends at the three Regents universities. It was reported that the Regents universities experienced a record enrollment of 81,899 students in the fall of 2016.
- **Transparent, Inclusive Efficiency Review (TIER) Process:** Mark Braun, Chief Operating Officer of the Board of Regents, gave an update on the TIER Process and provided information related to the TIER accomplishments at each of the universities.
- **American Institute of Business Campus:** Tom Rice, Faculty Director of the John and Mary Pappajohn Educational Center of the University of Iowa, provided an update on the American Institute of Business (AIB) campus located in Des Moines. The property was gifted to the University of Iowa in January 2015.
- **Infrastructure Projects:** Brad Berg, Board of Regents Policy and Operations Officer, presented a report on past infrastructure projects and the current five-year infrastructure plan.
- **LSA Presentations:** LSA staff provided an update on the October estimates of the Revenue Estimating Conference, the status of the Iowa economy, the General Fund budget, and the Medicaid Program. The LSA also submitted the following reports for information purposes only:
  - FY 2016 Performance of Duty Expenditures
  - Appropriation Transfers and Transfer Limits
  - Department of Public Safety Lease Purchase
  - University of Iowa Lease-Purchase Carver Hawkeye Arena
  - University of Iowa Indoor Track Lease Purchase

Upon adjournment, the Committee was provided a tour of the Schindler Building and the Rod Library on the UNI campus.



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=ALL>

Respectfully Submitted,

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Senator Bob Dvorsky  
Co-chairperson

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Rep. Pat Grassley  
Co-chairperson

# REPORT OF THE LEGISLATIVE TAX EXPENDITURE COMMITTEE TO THE LEGISLATIVE COUNCIL

June 22, 2017

## I. Committee Proceedings

The Legislative Tax Expenditure Committee conducted two meetings at the Statehouse during the 2016 Interim on Wednesday, November 30, 2016, and Monday, December 19, 2016. Senator Joe Bolkcom and former Representative Tom Sands served as co-chairs of both meetings.

## II. November 30, 2016, Meeting

The committee received presentations and conducted a review of the following:

### A. Property Tax Credit and Claims

**1. Homestead Property Tax Credit.** Dr. Tony Girardi, Senior Fiscal Policy Analyst, Iowa Department of Revenue (IDR), provided an overview of the criteria and operation of the homestead property tax credit under Iowa Code chapter 425. The homestead tax credit was enacted in 1937 and is available to Iowa residents who own a home in Iowa and occupy that property for at least six months of the year. Special occupancy rules apply for active duty military personnel and persons confined to nursing homes or other similar facilities. Only one homestead tax credit is allowed per taxpayer and the credit may be applied for with the local assessor.

The tax credit, when fully funded by the state, equals the amount of property taxes owed on the first \$4,850 of taxable value of the homestead. This equates to a statewide average homestead property tax credit of \$170. The tax credit application is made to the local assessor, and the IDR reimburses each county for its total claim amount through a standing unlimited appropriation. The tax credit has been fully funded by the state for the previous three fiscal years (FY 2014-2016). The total state funding amount was \$131.7 million in FY 2014, \$131.4 million in FY 2015, and \$135.9 million in FY 2016. Dr. Girardi explained the reduction in funding during FY 2015 to be the result of an assessment limitation imposed on residential property. Despite fully funding the credit in recent years, the average state funding rate for the previous decade is 73 percent. Dr. Girardi explained the procedure used to prorate the tax credit claims when the state funding is capped.

The homestead credit provided to certain disabled veterans was enacted in 1990 as a component of the homestead property tax credit. The credit operates similarly to other homestead credits under Iowa Code chapter 425, but the credit is only available to a military veteran, including certain family members of a military veteran, if the veteran meets certain disability rating requirements or acquired the homestead under certain federal provisions relating to adaptive housing for disabled veterans. The disability thresholds for the credit are a permanent service-connected disability rating of 100 percent, as certified by the United States Department of Veterans Affairs, or a permanent and total disability rating based on individual unemployability that is

compensated at the 100 percent disability rate, as certified by the United States Department of Veterans Affairs.

The disabled veteran homestead property tax credit applies to a maximum of one-half acre of urban land or 40 acres of rural land, and equals 100 percent of the property tax on the homestead. Dr. Girardi explained recent amendments to the tax credit that removed the income limitation and expanded eligibility. In the two most recent fiscal years, there were 2,128 claimants of the credit with a total state cost of \$5.3 million and 2,261 claimants of the credit with a total state cost of \$5.8 million, respectively.

**2. Elderly and Disabled Property Tax Credit.** The elderly and disabled property tax credit was enacted in 1983 and is available to homeowners and renters who are at least 65 years old, or totally disabled, and who have household income below a certain threshold amount (\$22,584 for 2017). Dr. Girardi explained that the credit amount does not increase as the result of age once the claimant reaches the minimum age requirement. The household income threshold is indexed to inflation each year and the tax credit rate decreases as the taxpayer's household income increases. Dr. Girardi analyzed the 2017 tax credit rate schedule by household income.

Homeowners receive a property tax credit and apply annually with the county treasurer. Renters receive a rent reimbursement and apply annually with IDR. The maximum property tax credit/rent reimbursement is \$1,000 per year. Both are funded by the state through a standing unlimited appropriation. According to Dr. Girardi, the total cost to the state for the elderly and disabled property tax credit was \$5.1 million in FY 2014, \$5.0 million in FY 2015, and \$4.9 million in FY 2016. He also explained the procedures for paying claims and for prorating claims when the state funding is capped.

Dr. Girardi also provided cost data related to the elderly and disabled rent reimbursement refunds. For FY 2014, there were 29,969 claimants with a total state cost of \$18.4 million, and an average refund amount of \$615. For FY 2015, there were 30,588 claimants with a total state cost of \$19.1 million, and an average refund amount of \$626. For FY 2016, there were 32,410 claimants with a total state cost of \$19.6 million, and an average refund amount of \$606.

**3. Military Service Property Tax Credit.** The military service property tax credit was enacted in 1987 and provides property tax relief to qualified veterans through a property tax exemption that exempts the first \$1,852 of taxable value (\$2,778 for World War I veterans) of property owned by the veteran. The state reimburses the counties for the property tax reduction associated with the tax rate of \$6.92 per \$1,000 of valuation, and the counties forgo the remaining amount of property tax associated with the tax exemption.

Dr. Girardi discussed the state funding for these claims over the previous three fiscal years (FY 2014-2016), the tax exemption distribution by county, and the average number of veterans benefiting each year from the exemption.

**4. Agricultural Land and Family Farm Property Tax Credits.** The agricultural land tax credit, enacted in 1939, and the family farm tax credit, enacted in 1990, both apply to land used for agricultural or horticultural purposes in tracts of 10 acres or more, and land less than 10 acres if contiguous to qualifying land of 10 acres or more. The family farm tax credit additionally requires ownership and active farming of the land. The credits are used to offset school taxes in school districts where the tax rate exceeds \$5.40 per \$1,000 of valuation. Both credits are funded by the state through a standing limited appropriation of \$39.1 million, \$10 million of which is allocated to the family farm tax credit. Dr. Girardi discussed fiscal year data on the tax credits by request and demand, state appropriation amount, and funding level. The average state funding for the credit over the last 14 years for the agricultural land tax credit and the family farm tax credit is 20 percent and 16 percent, respectively. Dr. Girardi noted that if the state were to fully fund these tax credits in FY 2017, it would cost an estimated \$170 million.

**5. Business Property Tax Credit and Commercial and Industrial Property Tax Replacement Claims.** The business property tax credit and the commercial and industrial property replacement claims were both enacted in 2013. The business property tax credit applies to qualifying commercial, industrial, and railroad property units, and is funded by the state through a standing limited appropriation which began at \$50 million for FY 2013, increased to \$100 million in FY 2014, and has been set at \$125 million since FY 2015. The tax credit application is made by the property owner and continues until ownership changes. Dr. Girardi discussed the tax credit calculation and provided data on tax credit distribution by county, and provided fiscal year data on the tax credits by state funding, maximum assessed valuation and credit, total units receiving the credit, and the percentage of property units with an assessed valuation that is less than the maximum. From assessment year 2013 to assessment year 2015, the percentage of property units receiving the credit that have an assessed value that is less than the maximum has grown from 36 percent to 70 percent as the annual appropriation increased to the \$125 million level.

The commercial and industrial property replacement claims were established to backfill the phased-in 10 percent rollback for commercial and industrial property classes. Railroad property was also provided a phased-in 10 percent rollback, but that value is not included in the backfill funded through the replacement claims. The claims were funded by the state through a standing unlimited appropriation through FY 2017, but will be capped at \$152.1 million per year after FY 2017 and claims will be prorated accordingly. Dr. Girardi presented historical data on state funding for the replacement claims by amount and by county.

## **B. Sales Tax Levy for the Secure an Advanced Vision for Education (SAVE) Fund**

Dr. Amy Rehder Harris, Administrator and Chief Economist, Tax Research and Program Analysis Section, IDR, presented an overview of the SAVE Program, a 1 percent statewide sales tax dedicated to the SAVE Fund enacted in 2008 to replace the 1 percent school infrastructure local option sales tax previously adopted by all 99 counties. Since FY 2015, 97.9 percent of the SAVE Fund revenues are distributed to

school districts on a per-pupil basis, and 2.1 percent are distributed to the Property Tax Equity and Relief (PTER) Fund to provide tax relief to certain school districts that have an adjusted additional levy rate above the statewide average. Dr. Harris provided fiscal year data on per-pupil funding and PTER funding, and described the IDR's role in collecting, calculating, and distributing the SAVE Fund dollars. Dr. Harris also provided data on the historical and projected future SAVE Fund revenue amounts, including the projected future growth in the per-pupil SAVE distribution. Finally, Dr. Harris provided sample data on the estimated impact that several sales tax exemptions have on the SAVE Fund dollars and, more specifically, the per-pupil SAVE distribution.

Mr. Kent Ohms, Legislative Analyst, Fiscal Services Division, Legislative Services Agency, provided a short overview of the Department of Education's SAVE Annual Report for FY 2015, and used that report and other sources to present data on historical SAVE Fund revenues and expenditures for FY 2011-2015, as well as FY 2015 data on revenues and expenditures by school enrollment category, and expenditures by function and object.

### **III. December 19, 2016, Meeting**

The committee received presentations and conducted a review of the following:

#### **A. High Quality Jobs Program**

Ms. Debi Durham, Director, Iowa Economic Development Authority (IEDA), and Dr. Zhong Jin, Senior Fiscal Policy Analyst, Tax Research and Program Analysis Section, IDR, each made presentations on the High Quality Jobs Program (HQJP). Director Durham spoke broadly about the purpose of the HQJP and its various tax and other incentives, and provided historical data on the amount of direct assistance and tax credit awards made under the HQJP to eligible businesses both before the IEDA underwent a substantial reorganization in 2012, and after such reorganization. From October 2005 through June 2012 (prereorganization), IEDA provided \$60,340,400 of direct financial assistance and made \$537,622,067 in tax credit awards. From July 2012 through November 2016 (postreorganization), IEDA provided \$36,962,500 in direct financial assistance and made \$327,265,163 in tax credit awards. This financial assistance and tax credit data was then analyzed according to the number of jobs created or retained, and amount of capital investment made, by eligible businesses under HQJP agreements. Finally, Director Durham discussed several case studies from eligible businesses that have entered into HQJP agreements with IEDA.

Dr. Jin described the HQJP's state tax incentives consisting of the investment tax credit, the sales and use tax refund, and the supplemental research activities tax credit, and provided data on those tax incentives for tax years 2006-2014 by total claims, average claims, claims by tax type, claims by industry, and claim share for all projects by award year. He described several reasons why a portion of the tax incentive awards go unclaimed by the eligible businesses. Dr. Jin next analyzed HQJP projects that were completed in good standing from 2005 through 2010, meaning the eligible business completed the project and fulfilled the agreement, including the five-year performance and maintenance period of the agreement, without being put into default by IEDA. This group comprises 110 projects which were awarded a total of \$196.9 million of tax

incentives, \$115.4 million of which have been claimed to date. The proportion of tax incentives claimed for these projects was analyzed by award year and incentive type.

Dr. Jin explained how he examined the effectiveness of the HQJP using historical and other data in an attempt to answer several questions related to whether the HQJP creates an incentive to invest in Iowa, whether the HQJP's investments have a measurable economic impact on the local economy, and whether the HQJP provides an incentive in location choices. He stressed the natural limits of engaging in such an examination using the available data because it is difficult to know how the economy would have behaved in the absence of the HQJP. Dr. Jin explained his experiments, including his hypotheses, testing approaches and measurements, analysis examples, estimation results, and caveats. Dr. Jin stated that his analysis suggests the HQJP can likely serve to incentivize investment decisions between states, and that HQJP projects do spur additional economic activity.

## **B. Franchise Tax Credit**

Dr. Mandy Jia, Senior Fiscal Policy Analyst, Tax Research and Program Analysis Section, IDR, presented a report on the franchise tax credit, which is a nonrefundable administrative tax credit available to shareholders of financial institutions organized as S corporations. It is provided to avoid double taxation because S corporation financial institutions are themselves subject to the franchise tax. The tax credit generally equals the shareholder's pro rata share of the Iowa franchise tax paid by the financial institution. Dr. Jia explained the history, calculation, and key features of the tax credit. She also explained the structure and calculation of the Iowa franchise tax, the taxation of financial institutions in other states, a profile of franchise tax taxpayers in tax year 2014, and the historical distribution of Iowa franchise tax revenues. Dr. Jia analyzed franchise tax revenues versus tax credit claims, as well as franchise tax credits available, claimed, and expired by tax year. For fiscal years 2007-2015, annual Iowa franchise tax revenues averaged \$31.5 million, and annual Iowa franchise tax credit claims averaged \$15.5 million. Tax credit claims were also analyzed by residency status and income group. Finally, Dr. Jia provided options for potential administrative changes to eliminate the tax credit.

## **C. Research Activities Tax Credit**

Dr. Girardi, IDR, presented a report on the Iowa research activities tax credit (RAC) and the Iowa supplemental research activities tax credit (Supplemental RAC), which are refundable tax credits for increases in qualifying expenditures associated with research conducted in Iowa. The RAC is an automatic credit for those taxpayers who meet the requirements, while the Supplemental RAC is awarded by the IEDA under the HQJP. Dr. Girardi provided background information on the RAC, including its relationship to the federal research activities tax credit.

Dr. Girardi also described the two calculation methods for the RAC, the regular method and the alternative simplified method. The regular method has been available since 1985, and the alternative simplified method has been available since 2010. Taxpayers may choose either method in calculating their RAC. Dr. Girardi estimated that each

method is used by about half of the claimants. He also described the calculation of the Supplemental RAC, including recent changes made in 2011 which vary the tax credit rate according to the taxpayer's gross revenues.

Dr. Girardi gave an overview of the federal research activities credit and similar credits in other states. He then provided statistical data regarding the tax credits earned by tax year and by calculation method, and the amounts and percentages paid as refunds. Finally, Dr. Girardi explained how he examined the effectiveness of the tax credits using historical and other data in an attempt to answer several questions related to the impact of the availability of the alternative simplified calculation method on firms' research spending, the impact of calculation changes to the tax credits, and the research spending generated by the tax credits in Iowa.

#### **D. Earned Income Tax Credit**

Mr. John Good, Fiscal Policy Analyst, Tax Research and Program Analysis Section, IDR, presented a report on the Iowa earned income tax credit (EITC), which is a refundable tax credit equal to 15 percent of the federal EITC. Mr. Good summarized the qualifications for the federal EITC, and provided history regarding the Iowa EITC and information on similar credits in other states. He also provided numerous historical data for the Iowa EITC, including the number and amount of claims by tax year and amounts paid as refunds; and tax year 2014 claims by filing status, number of dependents, age, household adjusted gross income, and county. He noted that many Iowa EITC claimants also receive other state assistance, and provided some information on that assistance and the number of Iowa EITC claimants receiving that assistance. Mr. Good provided longitudinal data on Iowa EITC claimants' future utilization of the Iowa EITC after the first year it is claimed by that person. This included comparison data between one-year and long-term Iowa EITC claimants, the average claim each year, the major reasons for moving in and out of claiming the Iowa EITC, and the average wage growth of the claimants. Finally, Mr. Good analyzed several Iowa EITC data sources relating to characteristics of EITC claimants as such data compares and correlates to the minimum wage and federal poverty guidelines.

#### **IV. Materials Filed with the Legislative Services Agency**

The following materials listed were distributed at or in connection with the meetings and are filed with the Legislative Services Agency. The materials may be accessed from the "Committee Documents" link on the committee's Internet Site:

<https://www.legis.iowa.gov/perma/051120171679>.

**A. November 30, 2016, Meeting:**

1. Property Tax Credits, Tony Girardi, PhD, Iowa Department of Revenue
2. Secure an Advanced Vision for Education (SAVE), Amy Rehder Harris, PhD, Iowa Department of Revenue
3. Legislative Report, FY 2015 SAVE Annual Report, Iowa Department of Education
4. FY 2015 Certified Annual Report, SAVE Fund Expenditures by Function and Object, Kent Ohms, Fiscal Division, Legislative Services Agency
5. SAVE Annual Report Five Years, Kent Ohms, Fiscal Division, Legislative Services Agency
6. SAVE Annual Report by Enrollment Category FY 2015, Kent Ohms, Fiscal Division, Legislative Services Agency

**B. December 19, 2016, Meeting:**

7. Earned Income Tax Credit, Department of Revenue
8. Franchise Tax Credit, Department of Revenue
9. High Quality Jobs Program, Department of Revenue
10. High Quality Jobs Program Presentation, Economic Development Authority
11. High Quality Jobs Program Report, Economic Development Authority
12. Research Activities Tax Credit, Department of Revenue

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Respectfully submitted,

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Senator Randy Feenstra,  
Co-chairperson

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Representative Guy Vander Linden,  
Co-chairperson



# REPORT OF THE SERVICE COMMITTEE TO THE LEGISLATIVE COUNCIL

June 22, 2017

The Service Committee of the Legislative Council met on June 22, 2017, 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. Lacy White, from Administrative Services Assistant, grade 20, step 3, to Administrative Services Officer, grade 23, step 1.
- Ms. Tracy Parker, from Administrative Services Assistant, grade 20, step 3, to Administrative Services Officer, grade 23, step 1.
- Ms. Katelyn Knobbe, from Administrative Services Assistant, grade 20, step 3, to Administrative Services Officer, grade 23, step 1.
- Ms. Jacki Best, from Administrative Services Officer 3, grade 32, step 3, to Senior Administrative Services Officer, grade 35, step 1.
- Mr. Roger Karns, from Administrative Services Officer 3, grade 32, step 8, to Senior Administrative Services Officer, grade 35, step 6.
- Ms. Christina Weaklend, from Administrative Services Officer, grade 23, step 3, to Administrative Services Officer 1, grade 26, step 1.
- Ms. Ellen Heddendorf, from Administrative Services Officer, grade 23, step 3, to Administrative Services Officer 1, grade 26, step 1.
- Ms. Hannah Bassett, from Assistant Editor 1, grade 24, step 3, to Assistant Editor 2, grade 27, step 1.
- Ms. Denita DeRaad, from Assistant Editor 1, grade 24, step 3, to Assistant Editor 2, grade 27, step 1.
- Ms. Jessica Clark, from Computer Systems Analyst 2, grade 32, step 5, to Senior Computer Systems Analyst, grade 35, step 3.
- Ms. Abby Birkett, from Computer Systems Developer 1, grade 29, step 3, to Computer Systems Developer 2, grade 32, step 1.
- Mr. Mitch Rykhoek, from Computer Systems Analyst 1, grade 29, step 6, to Computer Systems Analyst 2, grade 32, step 4.
- Ms. Emily Kramer, from Computer Systems Analyst, grade 27, step 8, to Computer Systems Analyst 1, grade 29, step 7.
- Mr. Kent Ohms, from Fiscal Legislative Analyst 2, grade 32, step 3, to Fiscal Legislative Analyst 3, grade 35, step 1.
- Ms. Laura Book, from Fiscal Legislative Analyst, grade 27, step 3, to Fiscal Legislative Analyst 1, grade 29, step 2.
- Ms. Angel Banks-Adams, from Fiscal Legislative Analyst, grade 27, step 3, to Fiscal Legislative Analyst 1, grade 29, step 2.
- Mr. Jack Ewing, from Legal Counsel 2, grade 35, step 3, to Senior Legal Counsel, grade 38, step 1.

- Mr. Andrew Ward, from Legal Counsel 2, grade 35, step 3, to Senior Legal Counsel, grade 38, step 1.
- Mr. Gus Harb, from Legal Counsel, grade 30, step 3, to Legal Counsel 1, grade 32, step 2.

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

- Mr. Charles "Andy" Teas, from Legal Counsel 2, grade 35, step 6, to Senior Legal Counsel, grade 38, step 4.

## **II. CENTRAL STAFF AGENCY FY 2018 BUDGETS**

The Service Committee recommends that the Legislative Council approve the proposed budgets for the fiscal year beginning July 1, 2017, pursuant to Code section 2.12, as submitted by the following agencies:

- Legislative Services Agency
- Office of Ombudsman

## **III. LEGISLATIVE SERVICES AGENCY POLICIES AND PROCEDURES**

The Service Committee received and filed miscellaneous changes to the Legislative Services Agency Policies and Procedures concerning alternative office hours, banked holiday leave accrual and usage, lodging and meal expense reimbursement rates, informational requests of governmental entities, and administrative services officer job descriptions.

## **IV. LEGISLATIVE COUNCIL POLICIES AND PROCEDURES**

The Service Committee recommends that the Legislative Council approve the proposed miscellaneous changes to the Legislative Council Policies and Procedures concerning the name change of the Office of Ombudsman, educational benefits, interbranch vacation leave sharing, grievance procedures, and the scope of the harassment policy.

## **V. LEGISLATIVE STAFF PAY MATRIX**

The Service Committee recommends that the Legislative Council approve a one percent increase in the legislative pay matrix effective with the pay period that includes July 1, 2017.

Respectfully submitted,

Speaker Linda L. Upmeyer, Chairperson

**REPORT OF THE STUDIES COMMITTEE  
TO THE LEGISLATIVE COUNCIL  
June 22, 2017**

The Studies Committee of the Legislative Council met on June 22, 2017, and makes the following report for approval by the Legislative Council:

**Guidelines.** That the attached guidelines for 2017 and 2018 interim studies be adopted by the Legislative Council.

**2017 Studies.** That the attached proposal for studies for the 2017 Interim be adopted by the Legislative Council.

Respectfully submitted,

Speaker Linda L. Upmeyer  
Chairperson

# **GUIDELINES FOR INTERIM STUDY COMMITTEES**

**2017-2018 INTERIMS**  
**Submitted June 22, 2017**

## **ADOPTION OF RULES**

Interim study committees must have a majority of the members representing each house voting affirmatively in order to adopt rules.

## **COMPENSATION OF PUBLIC MEMBERS**

Persons serving as public members of study committees are eligible to receive actual expenses only, if they are not eligible for expense reimbursement by an organization that they represent. In order for a public member representing an organization to be eligible to receive actual expenses, the organization must submit a letter to the Legislative Council indicating that the public member is not eligible for the reimbursement from the organization. Payment of the expenses is subject to the approval of the Chairperson and Vice Chairperson of the Legislative Council.

## **STAFF WORK FOR PUBLIC MEMBERS**

After consultation with, as appropriate, the Legislative Services Agency (LSA) Director and legislative leadership, a study committee chair may authorize research or legislative drafting work by the LSA for public members of study committees.

## **APPROVAL OF NOMINEES**

Public members of study committees may be nominated by designated organizations, subject to Legislative Council approval or subject to the approval of the Chairperson and Vice Chairperson of the Legislative Council in consultation with the Minority Leaders of the Senate and House of Representatives.

## **MEMBERSHIP CHANGES**

Any change in membership numbers and voting status of the members of a legislative interim study body approved by the Legislative Council requires the approval of the Studies Committee and Legislative Council or legislative leadership.

## **GENDER BALANCE**

Appointment of public members to study committees shall be gender balanced.

## APPROVAL OF ACTIONS

A majority vote of a study committee's voting members present is necessary to carry any action; however, recommendations to the Legislative Council or General Assembly must be adopted with the affirmative votes of a majority of the committee's members of each house.

## VOTING BY PUBLIC MEMBERS

Unless otherwise provided by the General Assembly or the Legislative Council, public members of study committees are nonvoting.

## APPROVAL OF ADDITIONAL MEETINGS AND MEETINGS OUTSIDE DES MOINES

Any additional meeting or a meeting or public hearing by a legislative committee held outside of Des Moines requires the prior approval of the Studies Committee or legislative leadership.

## PUBLIC HEARINGS

When authorization is given for a study committee to hold a public hearing, the committee may hold one hearing as a body or individual members may each hold a public hearing or groups of two or more members may hold public hearings. However, for each authorized public hearing, no members of the study committee may receive compensation for attendance at more than one session.

## APPROVAL OF EXPENSES FOR SPEAKERS AND CONSULTING WORK

Any expenditure by a study committee for a speaker or presentation or for any other purpose either requires the prior approval of the Studies Committee and Legislative Council, or legislative leadership, or requires inclusion of the expenditure in a budget proposed by the study committee and approved by the Studies Committee and the Legislative Council, or legislative leadership. Contractual consulting work for a study committee requires the prior approval of the Studies Committee and the Legislative Council. Expenditures shall only be made in accordance with legislative expenditure policies and procedures.

## SCHEDULING GUIDELINES

For the 2017 Interim, the deadline for completion of interim study committee meetings is November 24, 2017, and for the 2018 Interim, the deadline is December 14, 2018. An interim study committee must meet the deadline or receive an exemption or a revised deadline date from the Legislative Council or legislative leadership.

# 2017 Legislative Interim Studies

## A. Statutory Committees

### 1. **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:** As approved by the Chair and Vice Chair of the Legislative Council.

### 2. **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 seventh scheduled review is in 2017.

**Members:** 5 Senate/5 House

**Meeting Days:** As approved by the Chair and Vice Chair of the Legislative Council.

### 3. **Health Policy Oversight Committee** (Iowa Code §2.45(6))

**Charge:** The committee is a permanent legislative committee under the Legislative Council. Duties include providing continuing oversight for Medicaid managed care, ensuring effective and efficient administration of the program, addressing stakeholder concerns, monitoring programs costs and expenditures, and making recommendations to the General Assembly.

**Members:** 5 Senate/5 House Meeting

**Days:** As approved by the Chair and Vice Chair of the Legislative Council.

### 4. **State Government Efficiency Review Committee** (Iowa Code §2.69)

**Charge:** The committee is a permanent legislative committee required to meet, as directed by the Legislative Council, at least every two years, to review state government organization and efficiency options and receive state government efficiency suggestions offered by the public and public employees. The most recent report was submitted in 2016 and the next report of the committee is due by January 2019.

**Members:** 5 Senate/5 House

**Meeting Days:** As approved by the Chair and Vice Chair of the Legislative Council.

### 5. **Public Retirement Systems Committee** (Iowa Code §97D.4)

**Charge:** The committee is a permanent legislative committee that is required to review and evaluate all public retirement systems in place in Iowa, including the Iowa Public Employees' Retirement System (IPERS), the Municipal Fire and Police Retirement System of Iowa (Code chapter 411), the Department of Public Safety Peace Officers' Retirement System (PORS), and the Judicial Retirement System. The committee typically meets during the legislative interim of odd-numbered years.

**Members:** 5 Senate/5 House

**Meeting Days:** As approved by the Chair and Vice Chair of the Legislative Council.

## B. Other Interim Studies

### 1. **Opioid Epidemic Evaluation Study Committee** (2017 Iowa Acts, HF 653 §117)

**Charge:** The study committee shall comprehensively evaluate the state's response to the opioid epidemic in the state, including a review of the protocols and practices relating to the prescribing of opioid medications and the treatment options available including medication-assisted treatment. The study committee shall receive input from agencies and entities including but not limited to representatives of the professional licensing boards for professionals authorized to prescribe controlled substances, representatives of public safety and public health, representatives of the medical community and health insurance payers, and consumers and representatives of consumers. The study committee shall submit a report, including findings and recommendations, to the Governor and the General Assembly by November 15, 2017.

**Members:** 3 Senate/3 House

**Meeting Days:** As approved by the Chair and Vice Chair of the Legislative Council.