



MINUTES Legislative Council

Monday, June 25, 2018

MEMBERS PRESENT

Senator Jack Whitver, Chairperson
Senator Jerry Behn
Senator Joe Bolkcom
Senator Jake Chapman
Senator Jeff Danielson
Senator Pam Jochum
Senator Janet Petersen
Senator Amanda Ragan
Senator Charles Schneider
Senator Amy Sinclair

Representative Linda L. Upmeyer, Vice Chairperson
Representative Liz Bennett
Representative Peter Cownie
Representative Pat Grassley
Representative Chris Hagenow
Representative David E. Heaton
Representative Brian Meyer
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: Rachele Hjelmaas, Legal Editor, 515.281.8127

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I. Procedural Business

Call to Order. The second meeting of the 2017-2018 Legislative Council was called to order by Temporary Chairperson Whitver at 2:30 p.m., Monday, June 25, 2018, in Room 22, State Capitol, Des Moines, Iowa. Senators Danielson, Jochum, and Ragan and Representative Bennett 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. Senator Schneider moved that Temporary Chairperson Whitver be elected chairperson. The motion was approved by a voice vote.

Minutes of Prior Meeting. Vice Chairperson Upmeyer moved that the minutes of the meeting of June 22, 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 2:46 p.m.

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

Chairperson Whitver recognized Vice Chairperson Upmeyer for consideration of the Report of the Legislative Tax Expenditure Committee. Vice Chairperson Upmeyer moved to receive 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 B.

III. Consideration of the Report of the Service Committee

Chairperson Whitver 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 2018-2019 for the Legislative Services Agency and the Office of Ombudsman. The report recommends that the Legislative Council approve the receipt of changes to Legislative Services Agency Policies and Procedures relating to legal publication formats, text processing responsibilities, Iowa Code section references, employee benefit descriptions, and job descriptions and titles. The report recommends that the Legislative Council approve the receipt of miscellaneous changes to the Office of Ombudsman Employee Handbook that update and revise the employee handbook. The report recommends that the Legislative Council approve the proposed miscellaneous changes to the Legislative Council Policies and Procedures relating to personnel record retention, harassment policy procedures, and rules for prefiling legislative bills. 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, 2018. Vice Chairperson Upmeyer moved adoption of the report, and the motion was approved by a voice vote. The report is attached to these minutes as Attachment C.

IV. Consideration of the Report of the Studies Committee

Chairperson Whitver recognized Vice Chairperson Upmeyer for the Report of the Studies Committee. The report recommends that the Legislative Council approve for the 2018 Interim permanent committees established by law and the establishment of other committees and their charges. Vice Chairperson Upmeyer moved adoption of the report, and the motion was approved by voice vote. The report is attached to these minutes as Attachment D.



V. Additional Business

A. Native American Flag Display Presentation

Chairperson Whitver recognized Iowa Commission of Native American Affairs Member Timothy Perkins for a presentation on behalf of the Iowa Commission of Native American Affairs (ICNAA) to allow for the establishment of a permanent display of Native American flags in the Capitol building. Mr. Perkins provided a brief history of ICNAA's efforts to procure permission for the flag display at the Capitol. He explained that ICNAA is in possession of all of the flags and flag display poles and spreaders and has the appropriate permission to hang the flags, and noted it is his understanding that the Legislative Council has the authority to direct the Department of Administrative Services to provide flag display space at the Capitol.

B. State Capitol Maintenance Fund Expenditures

Mr. Richard Johnson, Director of the Legal Services Division, provided background information relating to the proposed amendment to the Rules of the Legislative Council. He stated that SF 2414, enacted during the 2018 Legislative Session creates the State Capitol Maintenance Fund and requires Legislative Council approval of expenditures from the fund for maintenance projects for the Capitol and Ola Babcock Miller buildings. The proposed amendment provides that the Majority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leaders of the Senate and House of Representatives, on behalf of the Legislative Council, shall provide such approval. Vice Chairperson Upmeyer moved adoption of the proposed amendment, and the motion was approved by voice vote. The amendment, as adopted, is attached to these minutes as Attachment E.

C. Medicaid Program Management

Senator Bolkcom raised questions about the management of the Medicaid program and the fiscal implications of the program on the state budget. He stated that Medicaid providers are not being paid and constituents are not receiving necessary services, and that Medicaid Director Mike Randol's recent explanation for these failures is not satisfactory. He questioned how the Legislature will address these concerns. Senator Bolkcom suggested that the Legislative Services Agency dedicate more professional staff in order to become more involved in gathering oversight information from managed care organizations, including savings and quality of care assessments, so as to provide legislators with more immediate access to needed information. Chairperson Whitver responded that both the Fiscal Committee and the Health Policy Oversight Committee are responsible for gathering such information and future meetings of both committees will provide the necessary opportunities for legislators to review and ask questions about the management of the Medicaid program.

VI. Attachments

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

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IOWA LEGISLATIVE COUNCIL

Senator Jack Whitver, Chairperson
Senator Jerry Behn
Senator Joe Bolkcom
Senator Jake Chapman
Senator Jeff Danielson
Senator Randy Feenstra
Senator Pam Jochum
Senator Janet Petersen
Senator Amanda Ragan
Senator Charles Schneider
Senator Amy Sinclair
Senator Dan Zumbach

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

ADMINISTRATION COMMITTEE

Senator Jack Whitver, Chairperson
Representative Zach Nunn, Vice Chairperson
Senator Jerry Behn
Senator Janet Petersen
Representative Bruce Bearinger
Representative Peter Cownie

SERVICE COMMITTEE

Speaker Linda L. Upmeyer, Chairperson
Senator Jack Whitver, Vice Chairperson
Senator Janet Petersen
Senator Charles Schneider
Representative Chris Hagenow
Representative Mark D. Smith

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

STUDIES COMMITTEE

Speaker Linda L. Upmeyer, Chairperson
Senator Jack Whitver, Vice Chairperson
Senator Jake Chapman
Senator Janet Petersen
Senator Amanda Ragan
Senator Charles Schneider
Representative Liz Bennett
Representative Peter Cownie
Representative Chris Hagenow
Representative Mark D. Smith

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

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

TAX EXPENDITURE COMMITTEE

Senator Randy Feenstra, Co-chairperson
Representative Guy Vander Linden, Co-chairperson
Senator Joe Bolkcom
Senator Michael Breitbach
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

**REPORT OF THE LEGISLATIVE TAX EXPENDITURE COMMITTEE
TO THE LEGISLATIVE COUNCIL
June 25, 2018**

I. Committee Proceedings

The Legislative Tax Expenditure Committee conducted one meeting at the Statehouse during the 2017 interim on Monday, November 27, 2017.

II. Tax Expenditure Review

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

A. Targeted Jobs Withholding Tax Credit

Mr. Paul Stueckradt, Iowa Economic Development Authority (IEDA), summarized the targeted jobs withholding tax credit (TJC), which was enacted in 2006 as a pilot program to help Iowa border cities, within the city's urban renewal areas, compete with cities in neighboring states in attracting business investment and creating new jobs. The program allows up to 3 percent of gross wages paid by an eligible employer to be directed to pilot cities on a quarterly basis for up to 10 years. An eligible employer must be relocating to Iowa from another state and creating jobs at or above the hourly wage threshold for the city, or must be an existing Iowa business creating or retaining at least 10 jobs at or above the hourly wage threshold for the city, or must be an existing Iowa business making a qualifying investment of \$500,000 within a pilot city.

Funds are to be used by the pilot city for "a project related to the employer." Typically, the funds are returned to the business for use in an expansion or relocation project. An amount of the credit must be matched by a private donor, the pilot city, the business, or a combination of the three. If the project will increase the city's tax revenues, the pilot city is required to contribute at least 10 percent of the required match.

The pilot project had an initial sunset date for new agreements of 2010, but was later extended to June 30, 2013. Changes to the program in 2009 included a requirement that the maximum amount of withholding tax credits awarded be specified in the withholding agreement and cannot exceed the qualifying investment, an IEDA authorization to approve or deny a withholding agreement if the agreement fails to meet the statutory requirements of the program, a prohibition on cities using the program to compete for jobs against other Iowa cities, and reporting requirements for cities detailing the amount of payments, jobs created or retained, and investment by the employer. In 2011, the program was expanded to allow an award of credits to businesses for retained jobs. Additional changes to the program in 2013 included elimination of the requirement that the employer be located within an urban renewal area, increased oversight by IEDA, and extension of the sunset to June 30, 2018.

According to Mr. Stueckradt, the most significant changes to the program have involved increased oversight by IEDA including a requirement that the IEDA Board approve awards, authorization for IEDA to negotiate the terms of the award, the requirement that IEDA be a party to the agreement, and IEDA's responsibility for assessing compliance

for retained jobs after 18 months and for created jobs and investment after three years. Program agreements in the past were 10 years in length but following recent changes the length of the agreements are now negotiated and are typically between five and 10 years.

Dr. Zhong Jin, Senior Fiscal Policy Analyst, Tax Research and Program Analysis Section, Iowa Department of Revenue (IDR), summarized comparable programs from other states. Dr. Jin noted that the results of IDR's analysis are preliminary and that final results would be in a forthcoming report by IDR. In determining whether another state's program is comparable, Dr. Jin looked to whether the program is refundable or otherwise not limited by the business's income tax liability, whether the program includes a jobs component, and whether the tax credit is calculated as a percentage of the payroll of the associated jobs. Using those criteria, Dr. Jin identified 17 states that have similar programs, including neighboring states Nebraska, Missouri, and Illinois. Nebraska offers a credit of between 3 and 6 percent of the gross wages of the qualified employees, and Missouri provides a credit based on 100 percent of the individual income tax withheld for qualified employees.

Dr. Jin provided data on the TJC awards during the program's history, provided data on the number of jobs and the amount of investment pledged by participating businesses in each of the pilot cities, and provided a case study on the competition for health care investment in Sioux City. Dr. Jin also summarized an incidence analysis as to which persons receive the tax savings or share in the benefits resulting from the credit.

B. Innovation Fund Investment Tax Credit

Ms. Jenny Klein, Legislative Liaison and Compliance Counsel, IEDA, provided an overview of the Innovation Fund Investment Tax Credit Program. The tax credit is available to investors who invest in a certified innovation fund. The investment must be in the form of cash for equity. The credit amount is 25 percent of the investor's equity investment. The program has a total of \$8 million available every fiscal year, under the \$170 million IEDA tax credit cap. A tax credit issued under the program is transferable one time and has a five-year carryforward. Additionally, investors are not permitted to receive a credit for the same investment in a qualifying business.

Prior to the 2013 Legislative Session, no innovation funds sought certification and no credits were issued. The 2013 statutory changes increased the tax credit from 20 percent to 25 percent, allowed taxpayers to claim the tax credit for the tax year in which the investment is made rather than waiting for three tax years after the investment was made, made the credit transferable one time, and added additional eligibility requirements for innovation fund certification. To be eligible, a fund must invest in businesses with a principal place of business in Iowa that are early-stage companies or innovation businesses (advanced manufacturing, biosciences, or information technology). The fund must also seek to secure private funding sources for its investments, must provide multiple rounds of funding and early-stage private sector funding to innovative businesses with a high growth potential, and must focus on businesses that show a potential to produce commercially viable products or services within a reasonable period of time.

Additional requirements for potential certified funds include a requirement for a rigorous evaluation approach of all prospective investments, a collaborative relationship with the Regents institutions, and a collaborative relationship with IEDA and other state and local development entities. Finally, the fund must obtain at least \$15 million in binding investment commitments within a year of certification and it must invest at least \$15 million in Iowa companies. Currently, the two certified innovation funds are Next Level Ventures Fund I, LLLP and River Glen Capital Partners. River Glen Capital Partners has met the certification requirements but has yet to receive the \$15 million in minimum investment.

IEDA proposed extending the sunset date for certification of new funds five years from June 30, 2018, to June 30, 2023, and proposed shifting some of the \$8 million per fiscal year allocation to angel investor tax credits (Iowa Qualifying Business Investment Tax Credit).

Mr. Aaron Barker, Fiscal and Policy Analyst, Tax Research and Program Analysis Section, IDR, provided an overview of the venture capital market in the United States and of similar active investment tax credits offered by other states. Mr. Barker also outlined the current Iowa qualifying business investment tax credit (also referred to as the angel investor tax credit). Mr. Barker then provided the committee information on investments by certified innovation funds and data on innovation fund tax credit awards, transfers, and claims. Finally, Mr. Barker described a state-by-state analysis of investment incentive tax credits.

C. Iowa Fund of Funds Program

Dr. Amy Rehder Harris, Administrator and Chief Economist, Tax Research and Program Analysis Section, IDR, provided a history of the Iowa Fund of Funds Program, described the structure of the program, and updated the committee on the program's current status. The program was established in 2002 to encourage venture capital investment, increase business development in Iowa, create jobs, diversify the state's economy, and leverage funds for venture capital investment with state backing through tax credits.

The Fund of Funds is invested in a portfolio of private venture capital funds. Dr. Rehder Harris noted the difference in investment structure compared to the Innovation Fund Investment Tax Credit Program, which invests directly in businesses. Each portfolio fund made a commitment to consider equity investments in Iowa businesses and maintain a physical presence within Iowa, while innovation funds must invest in startups with a principal place of business in Iowa. The fund of funds tax credits were contingent, while the innovation fund tax credits result from every investment.

The program consisted of several entities and actors. The Iowa Capital Investment Board, a public entity with five voting and four nonvoting members, was responsible for establishing the contingent tax credits to back investments in the Iowa Fund of Funds, Fund A, LLLP (Fund). The Iowa Capital Investment Corporation, a 501(c)(3) tax-exempt entity, acted as the general partner of the fund, selected the fund manager (Cimmaron Capitol Associates I, LLC), received returns for reinvestment, and had no financial interest but was eligible for annual management fees. Finally, Iowa Designated Investor,

Inc., was a preferred limited partner within the fund and was the entity which made the investments in the fund and held the contingent tax credits.

The amount of \$100 million in contingent tax credits was originally authorized, with not more than \$20 million being redeemable in any single fiscal year. The contingent tax credits were limited to an amount equivalent to any difference between the scheduled rate of return authorized by the Iowa Capital Investment Board and the actual return received. To date, \$26 million has been invested for the fund in venture capital funds. The investments were funded by a revolving loan with contingent tax credits as collateral. In 2010, the tax credit cap was reduced from \$100 million to \$60 million. In February 2011, \$57 million in contingent credits were issued to secure the \$40 million revolving line of credit with a February 22, 2012, maturity date.

However, in fall 2011, the fund's board learned that lenders might not renew the line of credit. Administrative rules relating to the requirements for issuance of the credits went into effect following a challenge by the banks. Following a maturity date extension and the fund defaulting on the line of credit, the lenders and the fund entered into negotiations. IDR and the Iowa Attorney General's Office assisted in the agreement negotiations. The resulting agreement cures the loan default, avoids an immediate call on the full \$57 million in contingent credits at \$20 million per year, includes a seven-to-nine-year restructuring of financing for the existing investment portfolio, preserves the \$26 million investment portfolio, caps future fund expenses, and creates a second lien in favor of the state for redeemed tax credits.

In addition, the agreement provides for no new partners in the fund, no new portfolio investments, no expansion of investments as of December 2011, and provides for distributions to lenders to satisfy loans. The agreement provides that a total of \$25.6 million in tax credits will be redeemed, but the redemption is limited to \$4 million each year. The fund will expire no later than December 2027, instead of 2052.

As part of the winding down process for the Iowa Fund of Funds, \$11.3 million in tax credits was issued and transferred in FY 2012-2013, \$12.8 million in tax credits was issued and transferred in FY 2013- 2014, and \$1.1 million in tax credits was issued and transferred in both FY 2015-2016 and FY 2016- 2017. In December 2016, the last tax credit certificate was issued and transferred. Starting in July 2017, the bank loan was retired and the state's repayment period began. The state's lien against the Fund is \$30.5 million, accounted for as \$25.2 million in tax credits, \$0.3 million in fees, and \$5.0 million to date in interest. The future payouts from funds will accrue to the state; however, there is uncertainty in venture capital markets and whether the state will be made whole.

D. School Tuition Organization Tax Credit

Dr. Anthony Girardi, Senior Fiscal and Policy Analyst, Tax Research and Program Analysis Section, IDR, summarized Iowa's school tuition organization (STO) tax credit that was enacted in 2006 and provided data on the tax credits and tuition grants awarded to date. The nonrefundable tax credit is awarded to taxpayers who make voluntary cash contributions to one of 12 qualifying STOs that provide tuition grants for

private schools to specified low-income students in Iowa. An STO is required to represent more than one school. A contribution cannot, however, directly benefit any student designated by the taxpayer. The tax credit equals 65 percent of the contribution.

STO tax credits are capped at a total of \$12 million for tax year 2017 and subsequent tax years. The cap has been raised three times since the program's first full year of existence. The overall tax credit cap is allocated among STOs based on enrollment at represented schools. Tax credit claims are allowed against the individual income tax and, since 2009, the corporation income tax. The law allows each STO to award up to 25 percent of allocated tax credits to corporate donors. The tax credits are nontransferable and nonrefundable, but do allow a five-year carryforward. Persons claiming the tax credit who are nonresident or part-year residents must apportion the credit and any portion of the tax credit apportioned to out-of-state income cannot be claimed or carried forward. The STO tax credit is the only awarded tax credit with this treatment. In 2015, there were 24 awards to nonresident individuals totaling \$111,000; tax credits subject to this treatment totaled \$44,000.

Under Iowa law, each STO must be a 501(c)(3) charitable organization, allot at least 90 percent of the annual revenue to tuition grants, and register with IDR. As of 2017, there were 12 STOs representing 146 schools with a total enrollment of 33,740. The STOs represent about 99 percent of the private school children in Iowa.

Dr. Girardi provided information on similar tax credit programs in other states, provided a history of the issuance of tuition grants, and provided data and analysis on tuition grant recipients and on the historical trends for the share of tuition grant dollars provided to categories of income and the average amount of tuition grants based on income category. Finally, Dr. Girardi examined whether tuition grants funded through state tax credits save state money through lower public education spending by calculating the estimated net fiscal impact.

E. Funding of Urban Renewal Projects with Increased Local Option Sales and Services Tax Revenues

Dr. Girardi provided an overview of the structure and use of funding of urban renewal projects by cities with increased local sales and services tax revenues, commonly referred to as Local Option Sales Tax (LOST) Tax Increment Financing (TIF). To be eligible, a city must have a LOST ordinance in effect and must have established an urban renewal area. Generally, an urban renewal area is a slum area, blighted area, economic development area, or combination of the areas which the local governing body designated as appropriate for an urban renewal project. Other states that authorize similar programs include Colorado, Connecticut, Illinois, Kansas, Kentucky, Mississippi, Missouri, New Jersey, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, and Washington, as well as the District of Columbia.

A city may, by ordinance of the city council, create a LOST TIF district for the purpose of funding projects located within an urban renewal area. However, since 2012, a city must have prior approval of the county. The city council designates the amount of increased LOST revenue collected from the area to be used, which may be all or a portion of total

increased LOST revenues. A LOST TIF remains in effect until the urban renewal area designation ends, or 20 years after the base year, whichever is earlier. The LOST distribution for the county based on the statutorily prescribed formula based on population and specified historical property tax revenue collected is reduced by the amount of the increment. The other cities and unincorporated area of the county imposing the LOST will continue to receive only the base year amount from sales in the LOST TIF district as long as the LOST TIF is in effect.

The cities of Spencer, Davenport, Stuart, and Red Oak have established a LOST TIF in Iowa. Dr. Girardi provided the current distribution percentages for LOST revenue for those counties in Iowa that have a LOST TIF. Dr. Girardi explained the administration of a LOST TIF and provided a hypothetical example of distribution of LOST revenue and the impact of a LOST TIF. The amount of LOST revenue diverted for urban renewal projects has grown during the years of 2014 through 2017, but remains a small percentage of the total LOST revenue in those counties.

Cities with LOST TIFs report various purposes for the revenue, including attracting new retail development as part of a broader strategy of mixed economic development, attracting new tenants to vacant retail space, and helping with the renovation of existing retail stores. Dr. Girardi identified some of the criticisms of the program from the Iowa State Association of Counties and the Iowa Policy Project. Dr. Girardi stated that cities generally regard LOST TIF as a helpful tool in a broader development strategy.

F. Tuition and Textbook Tax Credit

Mr. John Good, Fiscal and Policy Analyst, Tax Research and Program Analysis Section, IDR, summarized Iowa's Tuition and Textbook Tax Credit. The tax credit is equal to 25 percent of the first \$1,000 of eligible education expenses per dependent. Qualified expenses include tuition, textbooks, fees, and equipment; however, homeschooling expenses do not qualify. To be eligible, the dependent must be in grades kindergarten through 12th grade at an accredited Iowa school. The tax credit is nonrefundable and there is no carryforward.

During the period of time from 1999 through 2005, the number of claimants and the total amount of tax credits claimed rose steadily, but both have leveled off for the 10 years since 2005. In 2015, there were 118,348 households (258,409 eligible dependents) that claimed the tax credit for a total of \$15.5 million in tax credits. The average tax credit claim was \$131 per household and 8.2 percent of those households claimed the \$250 maximum per dependent, accounting for \$4.3 million or 27.7 percent of 2015 tax year tax credits. Mr. Good analyzed the distribution of tax credit claims by household income level, number of dependents, and geographic distribution. Mr. Good noted that 33.8 percent of households claim the tax credit among all Iowa households with dependents between age five and age 21. Although many of those households may not have eligible students, still many households may likely be missing the tax benefit. The highest utilization rates of the tuition and textbook tax credit appear to coincide with the location of private schools. The school district area with the highest utilization rate (56.3 percent) is Pella. The school district area with the highest number of tax credit claims (5,932) is Des Moines. The school district area with the highest average tax credit amount (\$354)

is Rock Valley. The school district area with the highest average tax credit amount per pupil (\$163) is Boyden-Hull.

III. Materials Filed With the Legislative Services Agency

The following materials listed were distributed at or in connection with the meeting and are filed with the Legislative Services Agency. The materials may be accessed from the "Committee Documents" link on the committee's Internet Site: www.legis.iowa.gov/perma/051120171679

1. Innovation Fund Tax Credit 2017, Department of Revenue.
2. Innovation Fund Tax Credit 2017, Economic Development Authority.
3. Iowa Fund of Funds Program 2017, Department of Revenue.
4. Local Option Sales Tax Increment Financing 2017, Department of Revenue.
5. School Tuition Organization Tax Credit 2017, Department of Revenue.
6. Targeted Jobs Withholding Tax Credit 2017, Economic Development Authority.
7. Targeted Jobs Withholding Tax Credit 2017 REVISED, Department of Revenue.
8. Tuition and Textbook Tax Credit 2017, Department of Revenue.
9. Tuition and Textbook Tax Credit Brief, Department of Revenue.
10. Volunteer Firefighter, EMS, & Reserve Peace Officer Tax Credit Brief, Department of Revenue.
11. Farm to Food Donation Tax Credit Brief, Department of Revenue.

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Respectfully submitted,

Senator Randy Feenstra,
Co-chairperson

Representative Guy Vander Linden,
Co-chairperson

REPORT OF THE SERVICE COMMITTEE TO THE LEGISLATIVE COUNCIL

June 25, 2018

The Service Committee of the Legislative Council met on June 25, 2018, 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. Cindy Thurmond, from Administrative Services Officer 2, grade 29, step 6, to Administrative Services Officer 3, grade 32, step 4.
- Ms. Talya Culbertson, from Administrative Services Officer 1, grade 26, step 5, to Administrative Services Officer 2, grade 29, step 3.
- Ms. Britany Thorpe, from Administrative Services Assistant, grade 20, step 3, to Administrative Services Officer, grade 23, step 1.
- Ms. Gina Wernimont, from Administrative Services Assistant, grade 20, step 3, to Administrative Services Officer, grade 23, step 1.
- Mr. Mat Kakavas, from Computer Systems Developer 1, grade 29, step 3, to Computer Systems Developer 2, grade 32, step 1.
- Ms. Emily Kramer, from Computer Systems Analyst, grade 27, step 8, to Computer Systems Analyst 1, grade 29, step 7.
- Mr. Adam Broich, from Legislative Analyst 2, grade 32, step 3, to Legislative Analyst 3, grade 35, step 1.
- Ms. Christin Mechler, from Legislative Analyst 1, grade 29, step 3, to Legislative Analyst 2, grade 32, step 1.
- Ms. Josie Gerriettes, from Legislative Analyst, grade 27, step 3, to Legislative Analyst 1, grade 29, step 2.
- Mr. Michael Guanci, from Legislative Analyst, grade 27, step 3, to Legislative Analyst 1, grade 29, step 2.
- Mr. Nick Schroeder, from Legal Counsel 1, grade 32, step 3, to Legal Counsel 2, grade 35, step 1.
- Mr. Jamie Croatt, from Administrative Services Officer 2, grade 29 step 6, to Administrative Services Officer 3, grade 32, step 4.
- Ms. Adrienne Erazo, from Administrative Services Officer 1, grade 26, step 7, to Administrative Services Officer 2, grade 29, step 5.

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. Angela Long, from Assistant Ombudsman 1, grade 29, step 3, to Assistant Ombudsman 2, grade 32, step 1.
- Ms. Eleena Mitchell, from Assistant Ombudsman 3, grade 35, step 8, to Senior Assistant Ombudsman, grade 38, step 6.
- Mr. Jason Pulliam, from Assistant Ombudsman 2, grade 32, step 5, to Assistant Ombudsman 3, grade 35, step 3.

II. CENTRAL STAFF AGENCY FY 2019 BUDGETS

The Service Committee recommends that the Legislative Council approve the proposed budgets for the fiscal year beginning July 1, 2018, pursuant to Code section 2.12, as submitted by the following agencies:

- Legislative Services Agency
- Office of Ombudsman

III. POLICIES AND PROCEDURES

A. The Service Committee received and filed miscellaneous changes to the Legislative Services Agency Policies and Procedures concerning legal publication formats, text processing responsibilities, Iowa Code section references, employee benefit descriptions, and job descriptions and titles.

B. The Service Committee received and filed miscellaneous changes to the Office of Ombudsman Employee Handbook that update and revise the employee handbook.

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 personnel record retention, harassment policy updates, and rules for prefiling legislative bills.

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, 2018.

Respectfully submitted,

Speaker Linda L. Upmeyer, Chairperson

**REPORT OF THE STUDIES COMMITTEE
TO THE LEGISLATIVE COUNCIL
June 25, 2018**

The Studies Committee of the Legislative Council met on June 25, 2018, and makes the following report for approval by the Legislative Council:

2018 Studies. That the attached proposal for studies for the 2018 Interim be adopted by the Legislative Council.

Respectfully submitted,

Speaker Linda L. Upmeyer
Chairperson

2018 Legislative Interim Studies

A. Statutory Committees

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

Charge: The committee is a permanent legislative committee under the Legislative Council.

Duties include examining budget and expenditure matters, directing the administration of performance audits and visitations, and studying the operation of state government and making recommendations regarding reorganization to the General Assembly.

Members: 5 Senate/5 House

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

2. 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 eighth scheduled review is in 2018.

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.

B. Other Interim Studies

1. Mental Health and Disability Services Funding Study Committee (2018 Iowa Acts, HF 2456, §19)

Charge: Analyze the viability of the mental health and disability services funding, including the methodology used to calculate and determine the base expenditure amount, the county budgeted amount, the regional per capita expenditure amount, the statewide per capita expenditure target amount, and the cash flow reduction amount. The committee shall submit its recommendations to the General Assembly by January 15, 2019.

Members: 5 Senate/5 House

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

2. Small City Clean Water Standards Compliance Study Committee (2018 Iowa Acts, HF 2440, §16; 2018 Iowa Acts, SF 512, §25)

Charge: Identify and comprehensively review the financial and other challenges faced by small cities in complying with the various state and federal clean water standards, and to consider options for addressing those challenges. The committee shall evaluate the future effectiveness of the Wastewater and Drinking Water Treatment Financial Assistance Program and the Water Quality Financing Program, and may evaluate any other existing or proposed state programs. The committee shall seek input and may request information or assistance from public and private stakeholders and experts, including utility management organizations, the Iowa Association of Business and Industry, the Department of Natural Resources, the Iowa Finance

Authority, the Department of Agriculture and Land Stewardship, the Economic Development Authority, the Iowa Chamber Alliance, the Iowa League of Cities, and the Iowa State Association of Counties. The committee shall submit its findings and recommendations to the General Assembly for consideration during the 2019 legislative session.

Members: 3 Senate/3 House

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

GUIDELINES FOR INTERIM STUDY COMMITTEES

2017-2018 INTERIMS

Adopted 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.

State Capitol Maintenance Fund Expenditures by Legislative Council

Amend the Rules of the Legislative Council by adding the following new paragraph:

NEW PARAGRAPH. 11. In accordance with Iowa Code section 2.12B, the Majority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leaders of the Senate and House of Representatives shall provide the approval of the Legislative Council for expenditures from the State Capitol Maintenance Fund for maintenance projects for the Iowa State Capitol and the Ola Babcock Miller Building. The Director of the Department of Administrative Services shall issue warrants for such expenditures upon requisition of the President, Majority Leader, and Secretary of the Senate and the Speaker and Chief Clerk of the House of Representatives.