



[SF 2325](#) – Economic Development Authority, Technical (LSB5319SV.1)
Staff Contact: Eric Richardson (515.281.6767) eric.richardson@legis.iowa.gov
Fiscal Note Version – Final Action

Description

[Senate File 2325](#) relates to matters under the purview of the [Iowa Economic Development Authority \(IEDA\)](#). The Bill:

- Extends the authorization of the Iowa Energy Center (IEC) and the IEC Board through the end of FY 2027 and requires the IEC to support research and development of strategies for carbon management.
- Alters the criteria of the [High Quality Jobs Program \(HQJP\)](#) for brownfield and grayfield projects and in counties that qualify as an economically distressed area.
- Updates the definitions of “small city” and “urban area” and creates new caps for the average dwelling unit cost on housing projects.
- Allows a second extension for a project’s completion deadline under the [Workforce Housing Tax Credit](#) program if an extension is warranted due to extenuating circumstances outside the control of the housing business.
- Is effective upon enactment.
- Is retroactively effective to July 1, 2021, for all eligible housing businesses if the IEDA has not notified the business of the amount that the business may claim as a refund of the sales and use tax, and the IEDA has not issued a tax credit certificate stating the amount of tax credits the eligible business may claim.

Background

Iowa Code section [15.120](#) establishes the IEC and establishes a governing board appointed by the Governor to oversee, approve, and provide direction concerning the programs established by the IEC, including the [Iowa Energy Center Grant Program](#) and the [Energy Infrastructure Revolving Loan Program](#). Current law repeals the IEC on July 1, 2022.

Iowa Code section [476.10A](#) funds the IEC through an [Iowa Utilities Board](#) remittance to the [Treasurer of State](#) of 0.1% of the total gross operating revenues of all gas and electric utilities’ public utility operations in the State during the previous calendar year. Since FY 2019, 85.0% of this total has been appropriated to the IEC, while the remaining 15.0% has been appropriated to the Center for Global and Regional Environmental Research established by the [Board of Regents \(BOR\)](#). Current law repeals these funding sources on July 1, 2022. Since FY 2019, the following appropriations to the IEC have been made:

- FY 2019: \$4.5 million
- FY 2020: \$3.5 million
- FY 2021: \$6.4 million

Iowa Code section [15.119](#) specifies tax credit caps for overall IEDA activities. As of FY 2022, the aggregate tax credit cap for specified IEDA programs is \$170.0 million. The tax credit cap for the HQJP is \$70.0 million beginning in FY 2022. The HQJP was created in 1994 Iowa Acts, chapter [1008](#), and provides qualifying businesses cash and/or tax credit assistance to offset some of the costs incurred to locate, expand, or modernize a facility located in the State. Wage

thresholds apply at 120.0% of the qualifying threshold for retained jobs upon project completion and through a maintenance period. The qualifying wage threshold is determined by the county where the job is created and/or maintained. Currently, the IEDA may provide awards for jobs that pay less than 120.0% of the qualifying wage threshold if the job is located in a brownfield or grayfield area, as defined in Iowa Code section [15.291](#), or in an economically distressed area, which is determined solely through unemployment rates in the county per Iowa Code section [15.335C](#).

Iowa Code section [15.354](#) authorizes the [Workforce Housing Tax Credit](#) program, which provides tax benefits to developers to provide housing in Iowa communities, focusing especially on abandoned, dilapidated, or empty properties. Iowa Code section 15.119 specifies a total Workforce Housing Tax Credit allocation of not more than \$40.0 million in FY 2022 and an allocation of not more than \$35.0 million beginning in FY 2023.

Assumption

Administrative expenditures of the IEC total \$250,000 annually, per IEDA data.

Fiscal Impact

- The Bill continues annual administrative expenditures by the IEC totaling \$250,000 beginning in FY 2023 and continuing through FY 2027. The expenditures would cease if the IEC authorization were not extended beyond FY 2022, per current law. The revenue for these expenditures comes from remittances to the Treasurer of State of operating revenues of gas and electric utilities' public utility operations in the State and would be expected to come from other internal IEDA sources of revenue or appropriations if the remittances cease after FY 2022, as currently scheduled.
- The Bill's change to the definition of "economically distressed area," the Workforce Housing Tax Credit Program extension, and the definition changes and cap changes to the HQJP are expected to have no or minimal fiscal impact.

Sources

Iowa Economic Development Authority
Iowa Department of Revenue
Iowa Legislative Services Agency

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
