

**EIGHTY-SIXTH GENERAL ASSEMBLY
2015 REGULAR SESSION
DAILY
HOUSE CLIP SHEET**

FEBRUARY 25, 2015

HOUSE FILE 351

H-1018

1 Amend House File 351 as follows:

2 1. Page 5, line 22, by striking <after June 30,
3 2020> and inserting <for the period ending June 30,
4 2015, and for the period beginning July 1, 2020, and
5 thereafter>

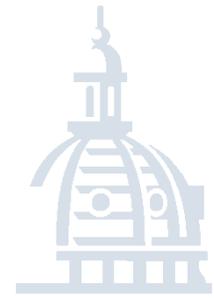
6 2. Page 5, line 27, by striking <until June 30,
7 2020> and inserting <for the period beginning July 1,
8 2015, and ending June 30, 2020>

9 3. Page 10, by striking lines 16 and 17.

10 4. By renumbering, redesignating, and correcting
11 internal references as necessary.

By BYRNES of Mitchell

H-1018 FILED FEBRUARY 24, 2015



HF 351 – Motor Vehicle Fuel Tax (LSB1782HV)
Analyst: Adam Broich (Phone: (515) 281-8223) (adam.broich@legis.iowa.gov)
Fiscal Note Version – Revised - Table 4 and Table 5

Description

House File 351 increases Iowa's motor fuel tax for gasoline, gasohol, and diesel fuels by 10.0 cents per gallon. Fuels impacted by this increase include ethanol-blended gasoline, unblended gasoline, diesel, biodiesel, compressed natural gas (CNG), liquid petroleum gas (LPG), liquefied natural gas, and aviation special fuel. The Bill makes several other changes:

- Extends the tax differential formula that determines fuel taxes for ethanol-blended and unblended gasoline through FY 2020. This formula is displayed in **Attachment A**.
- Creates a new biodiesel tax differential formula that determines fuel taxes for diesel and biodiesel. This formula will expire at the end of FY 2020. The tax differential will apply to biodiesel classified as B-11 and above. This tax schedule is displayed in **Attachment A**.
- Increases the annual cost of permits for vehicles of excessive size and weight. Fees are outlined in **Table 2**.
- Increases the tax on special fuel used in aircraft from 3.0 to 5.0 cents per gallon.
- States that the General Assembly intends all funds from the fuel tax increase support construction and maintenance needs on critical road and bridge projects.
- Provides limitations on indebtedness incurred by counties that are leveraged with Road Use Tax Fund (RUTF) dollars. Counties may not use RUTF funds to incur debt that will exceed the useful life of the asset being constructed, reconstructed, improved, repaired, equipped, or maintained.
- Exempts businesses with motor fuel and special fuel available for sale from an inventory tax. The inventory tax applies to all motor fuel that is held for sale the day prior to a change in the fuel tax.
- Requires the Iowa Department of Transportation (DOT) to identify \$10.0 million in efficiencies in FY 2016 and FY 2017.
- Fuel tax provisions of **HF 351** are effective the month following enactment. Provisions implementing bonding requirements are effective immediately. Permit fees for oversize and overweight trucks will increase on January 1, 2016.

Background

The Iowa Constitution requires that the Motor Fuel Tax (MFT) be “used exclusively for the construction, maintenance, and supervision of the public highways exclusively within the State or for the payment of bonds...” The MFT, as determined by formula, is 19.0 cents per gallon for ethanol-blended fuel, 21.0 cents for unblended gasoline, and 22.5 cents for all diesel fuel. Since 1989 the MFT has remained at or near current rates, and adjustments since 1989 occurred due to the distribution formula. The Department of Revenue has provided a history of **Motor Fuel and Diesel Fuel Tax Rates**. Other fuels taxed for road use include liquid petroleum gas (20.0 cents per gallon) and compressed natural gas (21.0 cents per gallon). All motor fuel excise tax is allocated to the RUTF. The RUTF allocates funding for road construction to primary roads (under the DOT), secondary and farm-to-market roads (counties), and city streets. Current law allocates 47.5% to Iowa DOT, 32.5% to counties, and 20.0% to cities.

Vehicles that exceed size and weight requirements must apply for permits to utilize Iowa roads. Permits are issued year round, and expire the month one year after issuance. Several types of permits are issued by the DOT, and the number of permits issued has grown each year (**Table 1**). Current and proposed permit fees are displayed in **Table 3**. With the exception of the all-systems permit, all permit fees are deposited in the Primary Road Fund (PRF). Revenues from the all-systems permit are deposited in the RUTF. Permits for vehicles of excessive size and weight amended by [HF 351](#) include:

- **All-Systems Permits** are issued for vehicles or loads for travel on the primary road system and specified city streets and county roads when the dimensions of the vehicle or load exceed statutory limits but the weight is within statutory limits. Routing is subject to embargoed bridges and roads and posted speed limits.
- **Annual Permits** are issued for vehicles or loads for travel when the dimensions of the vehicle or load exceed statutory limits but the weight is within statutory limits. Routing is subject to embargoed bridges and roads and posted speed limits.
- **Annual Oversize and Overweight Permits** are issued for vehicles or loads for travel when either the dimensions or the weight or both exceed statutory limits. Routing is subject to embargoed bridges and roads and posted speed limits. Travel is not allowed on the interstate.
- **Single Round-Trip Permits** are issued for vehicles or loads for travel when either the dimensions or the weight or both exceed statutory limits. The permit shall be for a specific route between an origin and destination.

Table 1

Permits Issued					Average Growth
Permit Type	2011	2012	2013	2014	
All-Systems Permit	277	248	292	272	0.9%
Annual Permit	15,492	16,619	16,575	15,048	1.6%
Annual Oversize Overweight	1,493	1,698	1,846	2,420	15.9%
Single Round-Trip Permit	85,943	89,406	84,263	95,009	6.0%
Total	103,205	107,971	102,976	112,749	5.4%

Table 2

Current and Proposed Permit Fees		
Permit Type	Current Fee	Proposed Fee
All-Systems Permit	\$ 120	\$ 160
Annual Permit	25	50
Annual Oversize Overweight	300	400
Single Round-Trip Permit	10	35

Assumptions

Permits

- Permits for oversize and overweight vehicles are estimated to increase at recent growth rates. The growth rates are identified in **Table 1**. Over the last four years, the number of permits issued has grown at an average annual rate of 5.4%.

Fuel Taxes

- Projections assume that changes to fuel taxes will be implemented on April 1, 2015.

- Motor fuel tax refunds will reduce receipts for gasoline and gasohol by 8.0% each year. Receipts for diesel and biodiesels will be reduced by 2.0%.
- Consumed gallons of ethanol and gasoline are projected to decrease by 1.5% for FY 2016, 1.7% in FY 2017, and average a decline of 2.1% thereafter. Consumed gallons of diesel are projected to grow as follows: 1.4% in FY 2016, 0.8% in FY 2017, 0.5% in FY 2018, 0.5% in FY 2019, and 0.6% in FY 2020. Growth rates are estimated by the Energy Information Agency Annual Energy Outlook.
- Fuel tax rates will be set as follows; ethanol will be taxed at 29.0 cents per gallon, unblended gasoline will be 31.0 cents per gallon, biodiesel will be 29.5 cents per gallon, and diesel will be 32.5 cents per gallon.
 - Ethanol-blended and unblended gasoline market share will remain unchanged. The excise tax will remain unchanged if the blended ethanol market share remains between 70.0% and 75.0%. From FY 2012 to FY 2014, the annual market share averaged 72.1%.
 - Biodiesel will comprise 21.8% of all diesel gallons sold in Iowa, and will be taxed at 29.5 cents per gallon. This assumes that blenders of biodiesel that blend B-10 will increase the blend by 1.0%. Currently, B-10 diesel accounts for 16.2% of the all diesel fuel and B-20 is 5.6%.

Other Assumptions

- Aviation special fuel gallons taxes have averaged 39.6 million gallons in FY 2013 and FY 2014. This estimate assumes aviation special fuel consumption will remain constant over the projected fiscal years.
- In FY 2014, approximately 395,000 gallon equivalents of CNG were sold. Consumption of taxable CNG will grow at rates forecast by the Energy Information Agency in the 2014 Annual Energy Outlook.
- Liquid petroleum gas consumption is expected to remain constant from FY 2016 to FY 2020. Assumed consumption is an average of the last three fiscal years.
- The impact of limiting indebtedness incurred by counties that are leveraged with Road Use Tax Fund (RUTF) dollars is unknown but expected to be minimal.
- The impact of waiving the inventory tax is unknown. The Legislative Services Agency is unable to identify whether retailers are able to increase fuel storage prior to a fuel tax increase.
- The DOT will identify \$10.0 million in operations efficiencies. At this time these efficiencies are unidentified. Reduced expenditure due to these efficiencies will be allocated within the Department’s budget.

Fiscal Impact

Aviation special fuel tax revenues are deposited in the Aviation Trust Fund. These funds are estimated to increase by \$790,000 per fiscal year from FY 2016 through FY 2020.

Increased revenue to the PRF due to permit fees on excessive size and weight are displayed in **Table 3**.

Table 3

Estimated Revenue Impact to the PRF (in millions)			
	Current Law	Permit Fee Increase	Increase
FY 2016	\$ 2.3	\$ 4.0	\$ 1.7
FY 2017	2.5	6.0	3.5
FY 2018	2.8	6.5	3.7
FY 2019	3.1	7.0	4.0
FY 2020	3.4	7.6	4.2

New revenue to the RUTF is displayed in **Table 4**. The RUTF revenues are allocated to street funds by percentages set in the Iowa Code. The PRF receives 47.5%, the Secondary Road Fund receives 20.0%, the Farm-to-Market Fund receives 8.0%, and the City Street Construction Fund receives 20.0%. **Table 5** shows how increased revenue due to [HF 351](#) will be distributed to the street funds.

Table 4

Estimated Revenue Impact to RUTF			
(in millions)			
	Fuel Tax	Permit Fee	
	Increase	Increase	Total
FY 2015	\$ 36.77	\$ -	36.77
FY 2016	204.11	0.01	204.11
FY 2017	202.29	0.01	202.29
FY 2018	200.03	0.01	200.03
FY 2019	197.70	0.01	197.70
FY 2020	195.29	0.01	195.29

Table 5

Estimated Distributions to Street Funds				
(in millions)				
	Counties			
	Primary	Secondary	Farm-to-Market	City Fund
FY 2015	\$ 17.2	\$ 9.3	\$ 2.9	\$ 7.4
FY 2016	95.3	51.5	16.3	41.0
FY 2017	94.4	51.1	16.2	40.6
FY 2018	93.4	50.5	16.0	40.2
FY 2019	92.3	49.9	15.8	39.7
FY 2020	91.1	49.3	15.6	39.2

The Department of Revenue identified administrative costs of \$150,000 due to [HF 351](#). These costs will be covered by existing resources.

Sources

Iowa Department of Revenue
 Iowa Department of Transportation
 LSA Calculations
 Energy Information Agency

/s/ Holly M. Lyons

February 24, 2015

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.

Attachment A

Gasoline/Gasohol Tax Schedule		
(in cents per gallon)		
Ethanol-Blend Market Share Percentage	Ethanol- Blended Tax	Unblended Gasoline Tax
0% - 50%	19.0	20.0
50% - 55%	19.0	20.1
55% - 60%	19.0	20.3
60% - 65%	19.0	20.5
65% - 70%	19.0	20.7
70% - 75%	19.0	21.0
75% - 80%	19.3	20.8
80% - 85%	19.5	20.7
85% - 90%	19.7	20.4
90% - 95%	19.9	20.1
95% - 100%	20.0	20.0

Proposed Biodiesel Tax Schedule		
(in cents per gallon)		
Biodiesel Market Share Percentage	Biodiesel Tax	Diesel Tax
0% - 50%	29.50	32.50
50% - 55%	29.80	32.50
55% - 60%	30.10	32.50
60% - 65%	30.40	32.50
65% - 70%	30.70	32.50
70% - 75%	31.00	32.50
75% - 80%	31.30	32.50
80% - 85%	31.60	32.50
85% - 90%	31.90	32.50
90% - 95%	32.20	32.50
95% - 100%	32.50	32.50



SF 172 – School Categorical Supp. State Aid - State Percent Growth - FY 2016 (LSB1514SV.1)
Analyst: John Parker (Phone: (515) 725-2249) (john.parker@legis.iowa.gov)
Fiscal Note Version – As amended by House Education Committee amendment **H-1010**

Description

Senate File 172 as amended by **H-1010** requires a 1.25% State percent of growth rate to be applied to each of the State categorical cost per pupil amounts for FY 2016.

Background

The State categorical supplements are funded entirely through State aid and generate funds for each school district and area education agency (AEA) through the school aid formula on a per pupil basis. The FY 2015 State cost per pupil funding levels for the teacher salary supplement (district and AEA), professional development supplement (district and AEA), and early intervention supplement (district only) will be increased by a 1.25% State percent of growth for FY 2016. Additionally, FY 2016 will be the initial year that the teacher leadership supplement (TLS) for the Teacher Leadership and Compensation System will be included in the school aid formula. The following table provides the per pupil growth amounts and State cost per pupil amounts for FY 2016 based on **SF 172**.

<u>State Categorical Supplements</u>	<u>FY 2015 State Cost Per Pupil Amount</u>	<u>FY 2016 State Percent of Growth</u>	<u>Supplemental State Aid</u>	<u>FY 2016 State Cost Per Pupil</u>
Teacher Salary - Districts	\$ 548.61	1.25%	\$ 6.86	\$ 555.47
Professional Development - Districts	62.18	1.25%	0.78	62.96
Early Intervention	67.68	1.25%	0.85	68.53
Teacher Leadership	308.82	1.25%	3.86	312.68
Teacher Salary - AEAs	28.71	1.25%	0.36	29.07
Professional Development - AEAs	3.35	1.25%	0.04	3.39

Additionally, there is a budget guarantee provision for each of the State categorical supplements that provides each district and AEA with a minimum of the previous fiscal year’s level of funding (net of the previous year’s budget guarantee amount). This provision for the State categorical supplements is funded entirely through State aid.

Assumptions

Estimates are based on October 2014 certified enrollment counts and supplementary weightings for FY 2016 approved by the School Budget Review Committee (SBRC) on January 21, 2015.

Fiscal Impact

The estimated total fiscal impact of [SF 172](#) as amended by [H-1010](#) will be a General Fund expenditure of \$398.2 million to fund the FY 2016 State categorical supplement amounts. This is an increase of \$56.4 million (16.5%) compared to estimated FY 2015. This estimate includes \$50.2 million for the teacher leadership supplement (TLS) for FY 2016.

The following table provides the detail of the funding levels for each of the State categorical supplements.

Estimated Funding Levels - SF 172 as amended by H-1010				
	District Amount FY 2016	AEA Amount FY 2016	Total Amount FY 2016	FY 2016 vs. FY 2015
Teacher Salary Supplement				
Unadjusted Amount - District	\$ 267,015,477	\$ 14,991,650	\$ 282,007,127	
Budget Guarantee Amount - District	806,790	53,700	860,490	
Total Amount - District	\$ 267,822,267	\$ 15,045,350	\$ 282,867,617	\$ 5,052,891
Professional Development				
Unadjusted Amount - District	\$ 30,265,584	\$ 1,753,271	\$ 32,018,855	
Budget Guarantee Amount - District	84,538	6,267	90,805	
Total Amount - District	\$ 30,350,122	\$ 1,759,538	\$ 32,109,660	\$ 569,951
Early Intervention Supplement				
Unadjusted Amount	\$ 32,943,873	NA	\$ 32,943,873	
Budget Guarantee Amount	83,992	NA	83,992	
Total Amount	\$ 33,027,865	NA	\$ 33,027,865	\$ 591,703
Teacher Leadership Supplement				
Unadjusted Amount	\$ 50,141,299	NA	\$ 50,141,299	
Budget Guarantee Amount	17,768	NA	17,768	
Total Amount	\$ 50,159,067	NA	\$ 50,159,067	\$ 50,159,067
All State Categorical Supplements				
Total Unadjusted Amount	\$ 380,366,233	\$ 16,744,921	\$ 397,111,154	
Total Budget Guarantee Amount	993,088	59,967	1,053,055	
Total State Categorical Supplement	\$ 381,359,321	\$ 16,804,888	\$ 398,164,209	\$ 56,373,612
Note: Contact the LSA for more information				

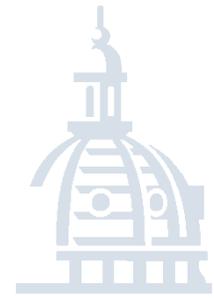
Sources

Iowa Department of Education, Certified Enrollment file
Iowa Department of Management, School Aid file
LSA analysis and calculations

/s/ Holly M. Lyons

February 23, 2015

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.



SF 270 – Wage Theft (LSB1278SV)

Analyst: Ron Robinson (Phone: (515) 281-6256) (ron.robinson@legis.iowa.gov)

Fiscal Note Version – New

Description

Senate File 270 relates to employers and individuals that perform labor and wage payment collection.

Code section **91A.5** is amended to provide that the employer has the burden to establish that a deduction from employees' wages is lawful and that the employer must obtain written authorization for the deduction from the employee in advance.

The Bill amends Code section **91A.9** to require the Labor Commissioner to employ wage investigators for the enforcement of Code chapter 91A, and to establish a statewide, toll-free telephone hotline for the purpose of receiving reports of violations of Code chapter 91A.

The Bill creates new Code section 91A.12A to provide penalty exemptions for employers that erroneously violate the provisions of Code chapter 91A or the rules adopted pursuant to Code chapter 91A, if certain conditions are met. The first condition is that the Labor Commissioner determines that the violation was erroneous and that the employer attempted in good faith to comply with the provisions of Code chapter 91A and the rules adopted pursuant to Code chapter 91A. The second condition is that the Labor Commissioner, after considering any history of violations by the employer, determines that the violation was isolated in nature. The third condition is that the employer corrects the violation to the satisfaction of the Labor Commissioner within 14 days of the occurrence of the violation.

The Bill requires the Labor Commissioner to provide notification to each employer in Iowa of the requirements for employers in the Bill by September 1, 2015.

The Bill takes effect January 1, 2016.

Assumptions

- Mailings will be made to approximately 77,000 employers.
- Resolving erroneous violation objections and additional case work generated from the toll free number will require the addition of three field auditors and one secretary.

Fiscal Impact

Senate File 270 will increase General Fund revenue, due to the collection of civil penalties, by an estimated \$5,000 during FY 2016 and \$15,000 during FY 2017.

Senate File 270 will increase General Fund expenses for the Iowa Department of Workforce Development (IWD) by an estimated \$232,000 in FY 2016 and \$290,000 in FY 2017 and subsequent years. The table on the following page provides the expenditure detail.

**Estimated General Fund
Revenue and Expenditures**

	<u>FY 2016</u>	<u>FY 2017</u>
Revenue		
General Fund Revenue	\$ 5,000	\$ 15,000
Total Revenue	<u>\$ 5,000</u>	<u>\$ 15,000</u>
Expenses		
Salaries	\$ 126,000	\$ 258,000
Support	55,000	30,000
Mailing	50,000	-
Toll Free Number	1,000	2,000
Total Expenses	<u>\$ 232,000</u>	<u>\$ 290,000</u>
Net Revenue/Expenses	<u>\$ (227,000)</u>	<u>\$ (275,000)</u>

Sources

Iowa Department of Workforce Development
 Department of Administrative Services
 Board of Regents
 Iowa Association of School Boards

/s/ Holly M. Lyons

February 24, 2015

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.
