



Nick's News from the
Iowa House of Representatives
 State of Iowa
Eighty-Third General Assembly
 Week 14: April 13-16

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Fourteenth Week of the 83rd General Assembly

The Budget Continues

We continued with budget bills this week passing the Justice (SF 472) and Education (SF 470) budgets. The Justice budget appropriates \$149.2 Million from the General Fund and approves 2009.17 full time equivalent employees, 6.2 more than in fiscal year 2009. The Education budget appropriates \$909.8 million from the General Fund and authorizes 12,457 full time equivalent positions. There is a significant amount of this budget that will be backfilled by federal stimulus dollars, particularly for Community Colleges, and Regent Universities.

Based on the total appropriated amount of the budget bills that we have passed to this point, plus the amount of federal stimulus dollars that have been indicated will be used in this budget, this will be the largest amount of spending ever in Iowa. It is very important to note that where federal dollars have been indicated for use are ongoing expenses that the state will have to pay long after the federal dollars are gone. Also important to note is that there is \$200 million that is proposed to be transferred from the cash reserves. This would again be one time dollars being used for ongoing expenses. The current estimate to the amount of one time money that will be used for ongoing expenses is about \$800 million. This means that future budgets will see a drop of \$800 million that will have to be made up with other revenues or decreases in spending.

House Republicans Offer \$200 Million in Savings

To date, on all of the budget bills, Republicans have proposed over \$200 million in general fund savings as a result of a line-by-line review of the budget. Most of these amendments were rejected by the majority party.

Here is the breakdown of the amendments offered and the savings created, per budget subcommittee:

- Administration and Regulation -- \$100.1 million
- Economic Development -- \$14.7 million
- Agriculture and Natural Resources -- \$17.5 million
- Health and Human Services -- \$20.3 million
- Education (Department of & Higher Ed) – \$52.9 million
- Justice System (Corrections and DPS) -- \$27.1 million

Total Proposed General Fund Savings through April 14 - \$232.6 million

We still have a major appropriations bill and the standings bill to complete the budget. As the process moves forward, House Republicans will continue to go through the budget on a line-by-line basis to find ways to make state government leaner and more efficient. House Republicans will also continue the fight for truth and transparency in the budget process.

Property tax Relief for Disaster Area

The House passed SF 457 this week which makes changes to local bonding. It changes Iowa law to allow for use of the federal disaster relief bonds, and offers property tax relief for property located in a disaster area. The property tax portion of the bill allows for the abatement of property taxes for the increased assessed value on any property that was affected by a natural disaster. This means that if a business or home owner had a property of assessed value of \$100,000 before flooding and they rebuild and improve the property to an assessed value of \$150,000 the property taxes on the increased value of \$50,000 will not be collected for 5 years. This was part of a bill that Kraig Paulsen and I filed early in the session and the language was added to this bill. This idea came soon after the floods of last summer and it is good to see that we can now offer incentives for businesses and individuals to rebuild and improve their property after floods and other natural disasters.



Bills Passed:

HF 670	SF 415
HF 705	SF 433
HF 777	SF 438
HF 810	SF 451
HF 815	SF 452
HF 817	SF 456
SF 137	SF 457
SF 203	SF 470
SF 236	SF 472
SF 318	SF 475
SF 344	SF 480
SF 403	SF 482

For a full text of these bills and any others please visit:

<http://www.legis.state.ia.us>

If you would like updates on legislation that is of interest to you, please visit the Iowa General Assembly Bill and Code Watch website at:

<https://coolice.legis.state.ia.us/se/cure/default.asp?Category=BillWatch&Service=BWSignIn>

This site will help you stay informed on bills scheduled for action on the House and Senate floors. There is no subscription or monthly fee. In order to function, the Bill Watch system must have JavaScript enabled in your browser.



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Democrats Propose New Bonding Plan

The Democrats released the initial details of their bonding proposal this week. They intend to approve the package in three separate bills totaling \$700 million.

Phase I is \$175 million that replaces the bonding approved last session. These projects were supposed to be funded by new tobacco bonds but the Treasurer was unable to sell the bonds due to the market and the bulk of the funds go to the Department of Corrections.

Phase II is \$300 million for the new I-JOBS program, flood relief, water treatment plants, and housing. \$133.5 million would be given out by the new I-JOBS board which will be created in the bill. This figure includes \$15 million for alternative energy grants. It also includes \$46.5 million for Linn County, specifically for projects listed:

- Steam Energy Solution - \$5 million
- Human Services Resource Replacement Center - \$10 million
- National Czech and Slovak Museum - \$10 million
- Palo Fire Center - \$1.5 million
- Options of Linn County - \$5 million
- Paramount - \$5 million
- Cedar Rapids Public Library - \$5 million
- Cedar Rapids Public Works Building - \$5 million

Phase III is \$125 million, \$100 million for state vertical infrastructure projects to be decided by the 2010 Legislature and \$25 million for public broadband technology. The broadband funding will be decided by the I-JOBS board. It is possible that this money will be used to update technology for the Iowa Communications Network, which is rapidly becoming obsolete.

The last part authorizes the Regents to issue \$100 million in academic revenue bonds for the University of Iowa flood recovery and rebuilding projects. The bonds are backed by tuition but historically the Legislature has appropriated "tuition replacement" to pay for the bonds instead of using tuition revenue. As of March 2009, the total outstanding debt service on actual sales of academic revenue bonds is \$457 million. Debt service is scheduled through FY 2035.

The bonds would be issued as annual appropriations bonds, not as bonds backed by gaming revenue. The Treasurer claims that these bonds will get a better interest rate because even though there is no revenue source, the Legislature will never default on the bonds because it would hurt the state's credit rating.

I am very concerned that through the budget process we have allowed ourselves to outspend revenues by using one time funding sources instead of cutting spending. This is not responsible use of tax dollars and I do not think it is the right thing to borrow more money and increase the burden of our taxpayers. The responsible thing to do is cut spending and quit using one time funds for ongoing expenses.

Iowa #2 Leader in Using Wind to Generate Electricity.

A new national report shows that Iowa has become the second leading state in the country for wind energy. This is good news for Iowa and will also be bolstered by several bills passed this week in the house that improve and help the wind industry in Iowa. The bills would allow local governments to create wind zones and allow smaller wind generators and projects installed to receive tax credits.

The American Wind Energy Association issued its annual wind energy rankings report for 2009 this week. The report finds that Texas remains the top state for wind energy generation, with over 7000 megawatts of generation capacity in the state. Iowa moved into second place, with 2790 megawatts of generation capacity in the state. The state moved ahead of California, which saw very little expansion in its generation capacity.

The report also showed that Iowa had the second largest growth in generation during 2008. 1600 megawatts were added in the state, more than doubling Iowa's generation capacity. Texas added 2671 megawatts in generation capacity to lead the nation.

When it comes to the amount of wind-generated electricity used by a state, Iowa only trails Minnesota in this category. The report finds that Minnesota now gets 7.48 percent of its energy from wind, while Iowa gets 7.10 percent. Last year, Iowa led Minnesota in this category – 5.46 percent to 4.60 percent.



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Tax Credit May Draw Jobs to Iowa

After being passed unanimously by the House Economic Growth Committee on March 3, 2009 and the House Ways and Means Committee full House considered HF 818, legislation that would expand the current film, television and video tax credit program.

HF 818 seeks to expand the current program by adding the salary expenditures for directors, producers and principal cast members to the list of qualified expenditures eligible for tax credits. However, the bill places spending thresholds on projects to qualify for these benefits.

Moreover, HF 818 changes the way vendors are able to exclude project income. The bill allows vendors to exclude project income up to 25% each year, over a four year period, from Iowa income tax. Making this change reduces the amount of temporary vendors coming into the state for only the life of the project and encourages the use of existing Iowa vendors or the creation of new, long-term vendors.

This bill passed with only one dissenting vote. The Des Moines Register said in today's paper that:

“A movie company from California is considering a move to Des Moines' Southridge Mall based upon action lawmakers took Wednesday that increases tax breaks for the film industry. The company plan would involve a production and marketing budget of as much as \$300 million, creating as many as 10 family-oriented movies in five years and hiring hundreds of staff members and actors. Lawmakers who approved the measure say more studios are also eyeing Iowa, including one that's considering moving into a building left vacant after Maytag closed in Newton.”

This tax credit is one of the first actions to be accepted this year to encourage companies to relocate and create jobs in Iowa.