April 9, 2001 FISCAL UPDATE April 9, 2001

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Retirement



CHANGES IN IOWA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (IPERS) Restructuring bill - SF 497 PASSES SENATE

**IPERS Bill – SF 497** The Senate passed SF 497 (IPERS Restructuring Bill) on April 3. The Bill would make the Iowa Public Employees’ Retirement System (IPERS) a separate and distinct Division within the Department of Personnel to administer the System. All powers and duties currently given to the Department of Personnel to manage and operate IPERS would be given to the Division. A chief Executive Officer, who would manage the Division, would be appointed by the Governor and be subject to confirmation by the Senate.

**New Committee** The Bill also establishes a new Benefits Advisory Committee and changes the duties of the Investment Board. The Committee would have 11 members, including four non-voting legislative members.

**Fiscal Impact** It is estimated that the changes would cost the General Fund an additional $98,000 annually beginning in FY 2003. The changes would also cost the IPERS Trust Fund an additional $255,000 in FY 2003 and $152,000 annually beginning in FY 2004

STAFF CONTACT: Ron Robinson (Ext. 16256)

Nullification of an administrative rule imposing a fee for the administration of Local Sales and Services Taxes – HJR 5 Passes senate ways and means

Administrative

 Rule

**Rule Nullification – HJR 5** On April 2, the Senate passed House Joint Resolution 5 (Local Option Tax Fee Nullification).

**Local Option Tax Fee** House Joint Resolution 5 provides for the nullification of an administrative rule (701 Iowa Administrative Code, Rule 107.16) imposing a fee for the direct costs incurred by the Department of Revenue and Finance in administering Local Sales and Services Taxes. Direct costs include, but are not limited to, costs related to taxpayer contacts and presentations, return processing, additional data entry, increased error processing, estimation, audits, and distribution of revenue. Fees do not include such indirect costs as policy and systems development, general agency administration costs, and collection costs.



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**Fee Authorized in HF 2545** The fee was to be imposed by the Department of Revenue and Finance upon all jurisdictions imposing Local Option Sales and Services Taxes. The Department was authorized to collect the fee during the 2000 Legislative Session in HF 2545 (Administration and Regulation Appropriations Act).

**Fiscal Estimate** The fee would allow the Department of Revenue and Finance to collect approximately $400,000 during FY 2001.



**Impact of Nullification** If the Department is not given an alternative source of funding and is unable to absorb the loss of the $400,000 in fee revenue, the Department may reduce services in the areas of providing estimates, educational services to new jurisdictions, and audits of local option returns. Tax return error resolutions could also be impacted and jurisdictions may not receive the appropriate distribution. Senate File 267, the FY 2001 Deappropriations Act, makes a FY 2001 supplemental appropriation of $142,000 to the Department of Revenue and Finance for the administration of the Local Option Sales and Services Taxes. The Governor signed the Bill on March 13, 2001.

STAFF CONTACT: Ron Robinson (Ext. 16256)

Enterprise Zone Program bill– HF 349 Passed BY Senate Standing Committee

**Enterprise Zone Program** The Senate Small Business, Economic Development, and Tourism Committee passed HF 349 (Enterprise Zone Program Bill) without an amendment. The Bill:



* Makes development businesses eligible for tax credits if the development business constructs, expands, or rehabilitates a building space for lease to a non-retail business.
* Amends the housing business portion of the Enterprise Zone Program to eliminate the $120,000 maximum value limit for a single-family home or each unit of a multiple dwelling unit of three or more units. The new investment may be used to compute the tax credit of up to $140,000 of the investment.
* Amends the allowable area adjacent to the closed property that may be included in the Enterprise Zone from one to five miles.
* Permits cooperatives organized under Chapter 501, electing to have the income taxed directly to the individual member to claim the tax credit. The amount of the tax credit shall be based upon the individual member’s pro rata share of the cooperative’s earnings.

**Fiscal Impact** House File 349 is not expected to create tax credits in FY 2002 due to the lag in approval by the Department of Economic Development and in filing for tax credits. The total cost of the tax credits for FY 2003 is estimated to be $762,000, and General Fund revenues are estimated to decrease by a similar amount.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

Iowa English Reaffirmation bill - SF 165 PASSES HOUSE LOCAL GOVERNMENT COMMITTEE



**English Reaffirmation** The House Local Government Standing Committee passed an amended version of SF 165 (Iowa English Reaffirmation Bill) on April 3. The amended version of SF 165 strikes everything after the enacting clause and does the following:

* Affirms that English is Iowa’s common language.
* States that the General Assembly recognizes that English is the common language used in Iowa and recognizes that fluency in English is necessary for full integration into the American culture.

STAFF CONTACT: Lisa Burk (Ext. 16765)

Health and Human Rights Appropriations Subcommittee meeting

**Health/Human Rights Sub.** The Health and Human Rights Appropriations Subcommittee met April 4. Legislative Fiscal Bureau (LFB) staff answered questions regarding the Governor’s revised FY 2002 budget recommendations. The Governor’s revised FY 2002 budget recommendations are available on the LFB web site at: [http://staffweb.legis.state.ia.us/lfb/subcom/handouts/finalhhr.pdf.](http://staffweb.legis.state.ia.us/lfb/subcom/health)

STAFF CONTACT: Lisa Burk (Ext. 16765) Russ Trimble (Ext. 14613)

Human Services Appropriations Subcommittee meeting

**Human Services Sub.** The Human Services Appropriations Subcommittee met April 4. Members of the Subcommittee reviewed the Governor’s revised FY 2002 budget recommendations.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Sam Leto (Ext. 2816764)

Sixth Judicial District Department - Senate Joint Resolution 3 Passes the Senate



**Lease Purchase Extension** Senate Joint Resolution 3 authorizes a two-year extension of a lease-purchase agreement by the Sixth Judicial District Department of Correctional Services, as required by 905.4(5), Code of Iowa. The current lease-purchase costs approximately $125,000 annually. The proposed two-year extension of the lease-purchase agreement will increase the costs by $10,000 annually from FY 2002 through FY 2006 ($50,000 total). Refinancing the agreement will increase costs by $20,000 annually for FY 2007 and FY 2008 ($40,000 total). The District Department will incur two more years of the current lease-purchase cost ($250,000 total). Total increased cost compared to

 current law is $340,000 from FY 2002 through FY 2008. The District Department will use local funds, rather than the General Fund appropriation, for these costs.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Audit Report - Iowa Egg Council

**Audit Report** The State Auditor issued the FY 1999 and FY 2000 Audit Report for the Iowa Egg Council on March 9, 2001.

**Background**  The purpose of the Iowa Egg Council is to assist in the maintenance and development of markets for poultry products.

**Reportable Conditions**The Report indicated there were two reportable conditions. The first related to segregation of accounting duties. One employee completes the majority of the tasks, including financial reporting, preparing and signing checks, reconciling bank statements, and purchasing fixed assets. It was recommended that the Council review reconciliation of bank statements, invoices, checks, and financial statements. The Council agreed to implement oversight control procedures. The response was accepted. The second reportable condition was that deposits are not made in a timely manner. The Council has directed the bookkeeper to make deposits on a weekly basis. The response was accepted.



**More Information** For more information on these comments, please contact the Legislative Fiscal Bureau.

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