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STATUS OF APPROPRIATION BILLS

Subcommittee Bills		
Administration and Regulation	HF 603	In Conference Committee
Agriculture and Natural Resources	SF 435	In Conference Committee
Economic Development	SF 430	In Conference Committee
Education	HF 604	In Conference Committee
Health and Human Services	SF 446	Passed Senate – 4/18
Judicial Branch	SF 442	Passed House Appropriations – 4/16
Justice System	SF 447	In Conference Committee
Infrastructure	HF 638	Passed Senate Appropriations – 4/29
Transportation	HF 602	Passed Senate – second time – MTR filed
Other Bills		
County Mental Health Supplemental	HF 160	Signed by Governor – 3/28
Education Reform	HF 215	In Conference Committee
War Orphans Educational Assistance	HF 613	Passed Senate – 4/22
Federal Block Grant	HF 614	Passed Senate – 4/17
Standing Appropriations	SF 452	Passed Senate – 4/29

RECENT PUBLICATIONS

Recently Published. The Fiscal Services Division has recently published the following:

[NOBAs:](#) See links to individual bills in the Bill Status table above.

[Monthly Total Tax Memo – April 26, 2013](#)

[Fiscal Notes:](#)

HF 641	Reinvestment Districts	4/23/2013
SF 396	Government Efficiency	4/22/2013
SF 295	Commercial Property Tax Credit	4/22/2013
HF 633	Capital Gains Tax Exemption	4/22/2013
HF 631	Propane Education and Research Council	4/22/2013
HF 637	Iowa Finance Authority Policies	4/19/2013
SF 449	Small Business Health Care Tax Credit	4/18/2013
HF 629	Inheritance Tax Exemption	4/18/2013
HF 626	Sales Tax Nexus, Electronic Fairness	4/17/2013
HF 634	2013 Iowa Department of Revenue Policy Bill	4/17/2013
HF 627	County Fairs and Property Tax	4/15/2013

MARKETPLACE FAIRNESS ACT OF 2013

Marketplace Fairness Act. The U.S. Senate passed the Marketplace Fairness Act (S. 743) on April 25. Based on the Bill summary provided on the [Library of Congress website](#), the Bill:

“Authorizes each member state under the Streamlined Sales and Use Tax Agreement (the multistate agreement for the administration and collection of sales and use taxes adopted on November 12, 2002) to require all sellers not qualifying for a small-seller exception (applicable to sellers with annual gross receipts in total U.S. remote sales not exceeding \$1 million) to collect and remit sales and use taxes with respect to remote sales under provisions of the Agreement, but only if such Agreement includes minimum simplification requirements relating to the administration of the tax, audits, and streamlined filing. Defines "remote sale" as a sale of goods or services into a state in which the seller would not legally be required to pay, collect, or remit state or local sales and use taxes unless provided by this Act.”

Enactment. Final enactment of the federal legislation will require additional congressional action by the House of Representatives and approval from the President.

Streamlined Sales and Use Tax Agreement. Iowa has participated in the Streamlined Sales and Use Tax Agreement since 2005. Iowa Streamlined Sales tax receipts totaled \$14.0 million in FY 2012 and were up 28.2% through the first two quarters of FY 2013. The Department of Revenue has indicated that with enactment of the federal legislation, Iowa will receive additional tax sales/use tax revenue, however the specific amount is unknown.

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SCHOOL DISTRICT BUDGET CERTIFICATIONS

School Budget Certifications. April 15 was the deadline for school districts to submit FY 2014 certified budgets to the Department of Management (DOM). Based on data requested by the Legislative Services Agency (LSA) from the DOM, of the 346 school districts in FY 2014:

- 216 districts (62.4%) certified budgets using a 0.0% allowable growth rate.
- 38 districts (11.0%) certified budgets using a 2.0% allowable growth rate.
- 12 districts (3.5%) certified budgets using a 3.0% allowable growth rate.
- 80 districts (23.1%) certified budgets using a 4.0% allowable growth rate.

Allowable Growth Rate. No allowable growth rate has been established for FY 2014 and the DOM will adjust school district budget amounts to reflect the enacted FY 2014 allowable growth rate level. If no allowable growth rate is enacted for FY 2014, the rate will default to 0.0% (the FY 2014 cost per pupil amounts will remain unchanged from the FY 2013 levels).

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CORRECTIONS – PHARMACY PILOT PROJECT

Pharmacy Pilot Project. The Department of Corrections (DOC) implemented a pilot project on April 1, 2013, the Re-Entry Medication Project. The goal of this program is to reduce recidivism, especially among offenders with mental health needs, by providing expanded medication coverage for them during the 30 to 90 days immediately after their release, until the offender can form a relationship with a provider in the community. A research plan is in place to determine if this pilot project is successful in reducing recidivism.

Participation Benefits. Offenders released from prison and participating in the pilot project, in addition to the 30 days of medication they receive when they leave the facility, will be able to have any mental health prescriptions currently still remaining on their profile transferred to a participating local community pharmacy. They will be able to receive an additional two refills of 30 days each at no charge to them. The community pharmacies are paid from money obtained through a grant received by the Iowa Prescription Drug Corporation (IPDC); there are pharmacies in 95 of Iowa's 99 counties, including Hy-Vee, Dahls, and many independent community practitioners.

Training. Training was provided to DOC staff, both in the Institutions and Community-Based Corrections (CBC), by means of an e-Learning slide presentation created by the Central Pharmacy Director. Additional training was provided to the Re-Entry Coordinators, DOC Health Services, and local community providers. A continuing education program was developed by the DOC and the IPDC for community pharmacists to introduce them to the program, so providers will have the information they need.

On-line Claim Model. The community pharmacies use an on-line claim filing model to obtain payment for the prescriptions they fill for the offenders. A funding database was established using the same amount as Medicaid pays for the same medications.

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STATE APPEAL BOARD MEETING

Meeting. The State Appeal Board met April 22, 2013, in special session to consider two county budget protests, Cherokee County and Chickasaw County. Preliminary hearings were held on the two protests pursuant to [Iowa Code section 331.436](#) and [Iowa Code chapter 24](#) on April 9 and April 11, respectively.

Protest Petition – Cherokee County. A petition to protest the Cherokee County budget was filed March 25, 2013, on the basis that the proposed 30.8% increase is unreasonable and unjustifiable. The appeal requested taxes levied on property be reduced by a minimum of \$1.0 million, offset by reduced expenditures and ending fund balances. The County's response outlined several increased expenditures compared to FY 2013 and an anticipated shortfall in support of the increased levy. The order of the State Appeal Board was a reduction of \$725,000 from the adopted general supplemental levy of \$1,426,828.

Protest Petition – Chickasaw County. A petition to protest the Chickasaw County budget was filed on March 19, 2013, on the basis that a 29.0% increase was in support of a budget that could not be sustained due to spiraling increases in employee benefits and health insurance, with no additional services or benefit to taxpayers. The county later reduced the proposed increase to 22.0% without altering any of the increased expenditures. Petitioners asserted that the Board of Supervisors should make efforts to curtail the increases. The County's response stated the need for the increase was due to dramatic increase in the cost of health insurance, an item the County self-insures, and salary increases were negotiated through the collective bargaining process. The State Appeal Board sustained the Chickasaw County budget as adopted by the Board of Supervisors.

Protest Petition – Osceola County. A petition to protest the Osceola County budget was deferred until the next special session scheduled for April 30, 2013. The Board will also hear the Ringgold County budget protest at the meeting.

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IOWA COMMUNICATIONS NETWORK (ICN) REQUEST FOR PROPOSAL (RFP) DEADLINE EXTENSION

Deadline Extension. In accordance with the 2011 Acts, the ICN must complete its bidding process and analysis of the results by June 30, 2013. Under that timeframe, the RFP deadline for submission of bids was originally set for April 30, 2013. At the Iowa Telecommunications and Technology Commission (ITTC) meeting held on April 17, 2013, the ITTC approved extending the deadline for potential bidders. The new deadline for bid submissions for RFP is May 30, 2013 at 4:00 p.m. The ICN advised that the June 30, 2013, deadline will still be met with respect to completing the RFP process, while being able to accommodate the extension.

Joint Resolution. [Senate Joint Resolution 9](#) passed the Senate on March 18, 2013. The resolution proposed to extend the date for responding to the RFP through July 31, 2013. If approved, the Joint Resolution would have had the force of law and extended the timeframe. The Joint Resolution was not enacted.

Additional Extensions. In addition to the final date for bid submission, the ICN extended the timeframe for support mechanisms provided to potential bidders. The new deadline for submitting written questions to the ICN is April 30, 2013, at 4:30 p.m. The new deadline for use of the ICN Resource Room is May 21, 2013.

More Information. For additional information and updates on the RFP process, see www.ICNRFP.com.

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SCHOOL DROPOUT PROGRAM FUNDING

The FY 2014 modified allowable growth (MAG) amounts for returning dropout and dropout prevention programs approved by the School Budget Review Committee (SBRC) totaled \$97.2 million and included 298 districts with amounts that exceed \$0. The amounts approved by the SBRC will be included in the FY 2014 school district combined district cost and are funded through local property taxes. The MAG funding amounts are based on a formula that is not to exceed a district's budget enrollment multiplied by the district cost per pupil and a maximum ratio (varies by district but cannot exceed 5.0%).

The FY 2014 MAG amounts for returning dropout and dropout prevention programs were impacted by two provisions that include:

- Enactment of [SF 451](#) during the 2012 Legislative Session codified appropriate uses of funding for returning dropout and dropout prevention programs. Additionally, the Act changed the funding formula provision from a maximum ratio of 5.0% to a maximum ratio of between 2.5% to 5.0%, depending on the maximum ratio a district implemented between FY 2010 and FY 2013. Of the 298 districts with a FY 2014 MAG funding amount approved by the SBRC, there were 37 districts that requested up to the maximum level and had a maximum ratio of less than 5.0%.
- No enactment of an allowable growth rate for FY 2014. Since no allowable growth rate was enacted at the time the SBRC approved the MAG amounts, the district funding formula amounts were based on the FY 2013 district cost per pupil amounts. Ninety districts were approved for MAG at or near the maximum amount totaling \$54.3 million and may have been impacted by using the FY 2013 district cost per pupil. The LSA estimates that at a 2.0% allowable growth rate for FY 2014, these districts may have requested an additional \$1.1 million and at a 4.0% allowable growth rate the additional amount requested may have totaled an additional \$2.2 million.

For additional information, including returning dropout and dropout prevention programs funding amounts by district, please contact the LSA.

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**IOWA ECONOMIC DEVELOPMENT AUTHORITY
BUSINESS INCENTIVES UPDATE**

Recent Awards: The Iowa Economic Development Authority (IEDA) Board recently approved business awards for four projects in Iowa and amended the award on a fifth project. A spreadsheet with the summary of the awards can be found at <http://iowaeconomicdevelopment.com/UserDocs/documents/IEDA/apr13awards.pdf>.

Current Cap Status. At this point in the fiscal year, accounting for current awards, mandatory and discretionary allocations, and the use of the cap in FY 2012, the IEDA is \$45.2 million beyond the current year cap. According to Iowa Code, any amount in excess of the cap will be deducted from subsequent year cap. Additionally, the previous Economic Development Fund has a current unobligated balance of \$17.2 million.

Incentives Balance: The IEDA has two main components for business incentives through the High Quality Job Program (HQJP) tax credits that are capped at \$120.0 million annually, and cash incentives that are appropriated by the General Assembly. Within these tax credits and funds there are other programs that also have mandatory and discretionary allocation amounts.

[House File 2337](#), section 16 (FY 2013 Economic Development Appropriations Act) appropriated \$15.0 million from the Rebuild Iowa Infrastructure Fund (RIIF) for High Quality Job Creation Financial Assistance. This is the successor program to the Economic Development (formerly Grow Iowa Values) Fund Financial Assistance Program. The tables below reflect the adopted budget, estimated monthly utilization, and balance available to date through FY 2013.

High Quality Job Creation Cash Incentives	
<u>Award Month</u>	<u>Amount</u>
Revenue	
Fiscal Year 2013 Appropriation	\$ 15,000,000
Interest Repayments	549
Allocated Amounts	
Administration	\$ 1,650,000
Laborshed Studies	275,000
National Marketing	2,800,000
Technical Assistance and Information Technology	750,000
Regional Financial Assistance	200,000
Innovation and Commercialization Transfer	800,000
Entrepreneur Investment Awards Program Transfer	200,000
Awards Obligated	
July Awards	\$ 360,000
August Awards	1,136,000
September Awards	344,000
October Awards	411,000
November Awards	1,500,000
December Awards	700,000
January Awards	820,000
February Awards	100,000
March Awards	0
April Awards*	850,000
Total Allocations and Awards	<u>\$ 12,896,000</u>
Balance Remaining	<u>\$ 2,104,549</u>

*Estimated from Project Award documents
Source: Iowa Economic Development Authority Board Documents

The IEDA also has a tax credit cap that was established for FY 2010 in [Iowa Code section 15.119](#). During the 2012 Interim, the IEDA submitted a [report](#) to the Legislative Tax Expenditure Committee that outlined the historical usage of the caps. If the IEDA exceeds the cap for a given fiscal year, the amount in excess is counted against the next fiscal year. Although the IEDA did not award more than \$120.0 million in FY 2012, it did run up against the cap once the mandatory \$10.0 million allocation for Innovation Fund Tax Credits and Community-Based Seed Capital Fund Tax Credits were included. No tax credits were awarded for these programs in FY 2012. The table to the right outlines the historical utilization. The table below reflects the adopted allocations and the year to date utilization.

Tax Credit Cap Utilization		
(in millions)		
Fiscal Year	Statutory Cap	Awards
FY 2010	\$ 185.0	\$ 104.4
FY 2011	120.0	68.6
FY 2012	120.0	119.4
FY 2013 YTD*	110.6	145.8

*Excludes FY 2012 awards counted against cap.

Tax Credit Obligations					
Award Month	Business Awards (HQC and EZ)	Housing Enterprise Zones	Brownfield Redevelopment Program	Innovation Investment Tax Credit	Total Available Balance
Fiscal Year 2013 Allocations	\$ 95,000,000	\$ 10,000,000	\$ 5,000,000	\$ 10,000,000	\$ 120,000,000
Awards Made in FY 2012	-6,109,518	-3,299,815	0	0	
Available Cap in FY 2013	\$ 88,890,482	\$ 6,700,185	\$ 5,000,000	\$ 10,000,000	\$ 110,590,667
Awards					
July Awards	\$ 0	\$ 1,369,765	\$ 0	\$ 0	109,220,902
August Awards	2,206,949	191,798	4,916,449	0	101,905,706
September Awards	28,239,127	849,020	0	0	72,817,559
October Awards	386,932	2,080,025	0	0	70,350,602
November Awards	27,004,235	4,308,007	0	0	39,038,360
December Awards	326,806	4,970,965	0	0	33,740,589
January Awards	6,334,350	3,751,982	83,551	0	23,570,706
February Awards	22,860,152	1,826,172	0	0	-1,115,618
March Awards	4,802,500	1,619,078	0	0	-7,537,196
April Awards*	27,694,790		0	0	-35,231,986
FY 2013 Awards Total	\$ 119,855,841	\$ 20,966,812	\$ 5,000,000	\$ 0	
Unobligated Balance Remaining	\$ -30,965,359	\$ -14,266,627	\$ 0	\$ 10,000,000	

*Estimated from Project Award documents at that month's Board Meeting.
Source: Iowa Economic Development Authority Board Documents

Next Meeting: The next meeting of the Board is scheduled for May 17, 2013, at the Iowa Economic Development Authority Main Conference Room.

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