



“Be sure you put your feet in the right place, then stand firm.”
- Abraham Lincoln

December 16th, 2011

Appropriations

(Contact Lon Anderson at 1-5184.)

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Inside this issue:

REC Meets to Set Official Estimate for the FY 2013 Budget

On December 15, the Revenue Estimating Conference (REC) met to revise the revenue estimate for FY 2012 and set the official estimate for the FY 2013 budget. Under current law, the Governor and Legislature must use the December REC estimate when adopting a budget for the following fiscal year.

In October, the REC lowered the estimate to \$5.974, or 1.3 percent compared to FY 2011. This was \$17.5 million less than the adjusted March estimate. It also established the first estimate for FY 2013, \$6.209 billion in net revenue, or 3.9 percent above FY 2012.

At the December meeting, the REC increased the FY 2012 estimate to \$6.000 billion, or 1.7 percent compared to FY 2011. This is an increase of \$25 million compared to the October estimate. For FY 2013, the REC set the estimate at \$6.251 billion, or 4.2 percent compared to FY 2012.

For FY 2013, the Legislature has already appropriated \$5.155 billion in general fund dollars, which includes fully funding 2 percent allowable growth for K-12, full funding of the property tax credits and 50 percent of the FY 2012 appropriations for most other line items in the budget.

LSA estimates it will take \$295 million to fully fund the built-in expenditures. This includes \$100 million more for Medicaid (which is already funded at 100 percent), \$100 million for salary increases (which were not funded in FY 2012) and \$30 million for mental health allowed growth.

LSA also estimates that it will take an additional \$1.06 billion to increase all line current line items from 50 percent to 100 percent. If all line items are increased to 100 percent and if the Legislature funds all built-in expenditures at the current

estimates, LSA projects a \$115.6 million spending gap for FY 2013.

“...\$1.06 billion to increase all line current line items from 50 percent to 100.”

With net farm income up 28 percent to over \$100 billion for 2011, it is obvious that the strong farm sector is driving Iowa's economy. Whether or not this growth can be sustained is definitely a concern but for now it is a big bright spot for the state. For more on net farm income, click here:

<http://blogs.desmoinesregister.com/dmr/index.php/2011/11/29/farm-income-soaring-thi-syear-usda-says/>

House Republicans demanded last session that the one-time ending balance not be built into the budget and not used to fund ongoing expenditures. The news from the REC confirms that this is the right approach. House Republicans will continue to demand a conservative approach to budgeting, especially not knowing if the ag economy can sustain its growth and what cuts from the Federal Government will have to be covered.

| | |
|--------------------------|----|
| Appropriations | 1 |
| Agriculture | 3 |
| Commerce | 4 |
| Economic Growth | 5 |
| Education | 6 |
| Environmental Protection | 7 |
| Human Resources | 8 |
| Judiciary | 9 |
| Labor | 9 |
| Natural Resources | 10 |
| State Government | 10 |
| Transportation | 11 |
| Veterans Affairs | 11 |
| Ways and Means | 11 |



Work Continues on the RFP for Sale or Lease of the ICN

On March 7, 2011, the Governor signed House File 45, the Taxpayers First Act. One of the provisions required the Iowa Telecommunications and Technology Commission (ITTC) to develop a request for proposal to sell or lease the Iowa Communications Network (ICN).

The legislation requires that the RFP be completed by July 1, 2013. In order to receive buy-in for the RFP, the ITTC created the RFP Implementation Team (RIT). The team consists of representatives of the ICN, ITTC, Governor's office, Attorney General's office, Auditor's office, public safety, health care, education and the four legislative caucuses. Representative Rogers is the House Republicans' appointee to the RIT.

An organizational meeting for the implementation team was held in Des Moines on Monday, November 14 and four additional meetings were held on November 21 and 28 and December 5 and December 12. The representatives on the team were present as well as representatives from the telecommunications companies from around the state and other interested members of the public.

During the November 21 meeting, the RIT discussed the first twelve assumptions for the RFP:

- Sale of the network will be the transfer of ownership of all physical assets listed in the RFP
- Sale of the network will include the transfer of liability of all contracts related to the delivery of vendor-provided connections listed in the RFP
- All contracts, collocations, Right of Way listed in the RFP will be listed by the ICN without an independent audit – a buyer may request an independent audit post-offer
- Lease of the network is defined as the rental of physical assets listed in the RFP and the State of Iowa will remain the owner of those physical assets
- All potential buyers / lessees will be required to meet pre-qualification requirements of bid process
- Buyers / lessees will be required to enter into a non-disclosure agreement to extent allowed by law

- Seller (State) will be required to enter into a non-disclosure agreement to extent allowed by law
- The initial term of a lease will be 5 years, with two 5 year renewals at the option of the lessee
- A CPI increase will be applied to all operational expenses related to costs incurred by the lessee
- Lessee must provide 12 month written advance notice of intention to renew or not renew a lease
- Any lease will include costs of state personnel needed to maintain the network
- In order to ensure a proper transition, state personnel will remain in place for 12 months after a sale

Each assumption was reviewed and then the members of the RIT were asked if they agreed, disagreed or had no opinion. All of the above assumptions were agreed to by the majority of the RIT.

- During the November 28 meeting, the RIT discussed assumptions thirteen through twenty-one:
- Buyer / Lessee will be allowed to use the network to only serve existing authorized users
- Buyer / Lessee must continue to provide all products at a lower overall long-term cost
- Authorized users will consist of all entities falling under the current statutory definition
- Lower overall long-term costs must be maintained for 5 years for all services currently provided
- Lower overall long-term costs will be defined as 1 percent or greater lower than current cost
- Lower overall long-term cost must also include annualized maintenance costs incurred by the state
- Lessee will receive a Service Level Agreement that clearly states which network functions will be maintained on

an ongoing basis by the lessor

- Buyer / lessee must continue to provide service to both government and non-governmental users
- Management of the Capitol Complex phone system will remain within administrative function of the State of Iowa

The majority of RIT members disagreed with the first assumption regarding a buyer or lessee only serving existing authorized users. All other assumptions were agreed to by a majority of the RIT.

During the December 5 meeting, the RIT discussed assumptions twenty-two through thirty-four:

- Buyer will receive all new and existing operational revenue generated by users from date of sale
- Buyer / lessee may turn off service due to nonpayment
- Buyer will incur all operational expenses related to new network components and maintenance
- Buyers responding to the RFP must be prepared to reach acceptable terms for collocation with all collocation space owners currently housing ICN equipment and technology
- Buyer will be required to demonstrate the ability to secure adequate collocation agreements
- RFP documentation will be listed with an "effective as of" date as close as practical to RFP release
- RFP process will run parallel to the normal course of business of the ICN
- Buyer / lessee must comply with the requirements of the RHCPP and the ARRA (stimulus funds)
- Guaranteed amount of bandwidth for public safety, especially during emergencies
- Historical capitol cost of building the ICN will be used as one of the criteria

to evaluate bids

- In the event of a sale, ICN services will no longer be restricted to authorized users
- In the event of a lease, ICN services will only be available to authorized users unless the Legislature changes Chapter 8D of the Code and Chapter 7 of the administrative code

- Buyer must have common carrier status and receive funding from the Universal Service Fund

The majority of the RIT members disagreed on two of the assumptions – guaranteed amount of bandwidth for public safety and using the historical cost of the ICN to evaluate bids. The RIT members wanted to broaden the guaranteed bandwidth requirement and want to see what the depreciation schedules say about the historical cost of the ICN. All other assumptions were agreed to by a majority of the RIT.

During the final meeting on December 12,

the RIT finished reviewing all of the assumptions and took a tour of Joint Forces Headquarters, which houses most of the technology for the ICN. A final report will be issued to the Legislature and the public regarding all of the assumptions related to the RFP.

House Republicans support the concept of a sale or lease of the ICN and that is why it was approved as part of the Taxpayers First Act. The goal should be to maximize return on investment for taxpayers while still providing telecommunications services to public safety, health care and education.

Agriculture

(Contact Lew Olson at 1-3096.)

USDA Revises National Nutrient Management Standard

On Tuesday, December 13, 2011, the United States Department of Agriculture (USDA) issued a press release in which U.S. Agriculture Secretary Tom Vilsack announced that USDA has revised its national conservation practice standard on nutrient management to help producers better manage the application of nutrients on agricultural land.

Proper application of nitrogen and phosphorus offers tremendous benefits to producers and the public, including cost savings to the producer and the protection or improvement of ground and surface water, air quality, soil quality and agricultural sustainability.

The nutrient management conservation practice is an important tool in the USDA Natural Resources Conservation Service (NRCS) conservation toolbox. The agency's staff uses this conservation practice to help farmers and ranchers apply their nutrients more efficiently. Proper management of nitrogen and phosphorus, including the use of organic sources of nitrogen such as animal manure, legumes and cover crops, can save producers money. The nutrient management standard provides a roadmap for NRCS's staff and others to help producers apply available nutrient sources in the right amount, from the right source, in the right place, at the right time for maximum agricultural and environmental benefits.

NRCS's nutrient management experts worked with universities, non-government organizations, industry and others to revise the standard to ensure it is scientifically sound. Key changes in the standard include expanding the use of technology to streamline the nutrient management process and allowing states more flexibility in

providing site-specific nutrient management planning using local information when working with producers. NRCS staff offices will have until January 1, 2013 to comply with erosion, nitrogen and phosphorus criteria for their state nutrient management standard.

“...can save producers money...”

The revised national standard is being released at a time when the agency is working with various partners to address nutrient management concerns identified in three recently released Conservation Effects Assessment Project (CEAP) cropland studies. These CEAP studies assessed the effectiveness of conservation practices in the Upper Mississippi Basin, the Chesapeake Bay Watershed and the Great Lakes Basin. One significant resource concern identified in all three studies is the loss of nitrogen and phosphorus from cropland. Most nitrogen losses are attributed to nitrate leaching through the soil to groundwater. Most phosphorus is lost due to erosion because phosphorus attaches itself to displaced soil particles that are transported by runoff to nearby waterways. Improved nutrient management and effective erosion control work together to reduce the loss of nutrients from agricultural land, resulting in improved water quality in downstream rural and urban communities. The revised standard will provide tools and strategies to help producers address the natural resource concerns relating to excess nutrients on agricultural land.

NRCS offers voluntary technical and financial assistance to producers nationwide for planning and implementing on-farm nutrient management plans. Producers can use this assistance to help meet federal, state, tribal and local environmental regulations. For more information about how nutrient management fits into NRCS's conservation work, visit <http://www.nrcs.usda.gov/wps/portal/nrcs/main/national/landuse/crops/npm>. The new nutrient management standard document can be accessed at-- http://www.nrcs.usda.gov/Internet/FSE_DOCUMENTS/stelprdb1046177.pdf

Aspects of the standard document are apt to be interpreted or read as facilitating greater and more comprehensive regulatory control of agricultural operations across the nation. For example on the first page of the document in the third section entitled—“CONDITIONS WHERE PRACTICE APPLIES” it is followed by the following verbiage—“*This practice applies to all lands where plant nutrients and soil amendments are applied. This standard does not apply to one-time nutrient application to establish perennial crops.*”

Secretary Northey Hires New Director of Soil Conservation

On Tuesday, December 13, 2011, Iowa Secretary of Agriculture Northey announces that Jim Gillespie has been hired as the new Director of the Division of Soil Conservation within the Iowa Department of Agriculture and Land Stewardship (IDALS). Chuck Gipp, the previous Director, left earlier this year to become Deputy Director of the Iowa Department of Natural Resources.

The Division of Soil Conservation is responsible for administering state programs and providing leadership to farmers, landowners, communities and others to promote the protection and management of soil, water and mineral resources. The Division also assists Soil and Water Conservation Districts and private landowners to meet their agricultural and environmental protection

needs.

Gillespie has served Field Services Bureau Chief for the Department since 1989. In this position he has overseen the work of 136 employees for the Division in 100 offices around the state and worked in partnership with the 500 elected Soil and Water Conservation Commissioners.

USDA Announces Ranking Dates for Four Major Conservation Initiatives

On Wednesday, November 30, 2011, United States Agriculture Secretary Tom Vilsack announced the ranking dates for the On-Farm Energy, Organic, Seasonal High Tunnel, and Air Quality conservation initiatives. All four initiatives offer technical and financial assistance through the Natural Resources Conservation Service's (NRCS) Environmental Quality Incentives Program.

NRCS accepts applications for financial assistance on a continuous basis throughout the year. There will be three ranking periods for the Organic, On-Farm Energy and Seasonal High Tunnel initiatives, all ending on February 3, March 30 and June 1, 2012. Ranking periods for the Air Quality Initiative end February 3 and March 30, 2012. At the end of a ranking period, NRCS ranks all submitted proposals for funding consideration. NRCS will notify all applicants of the results of the rankings and begin developing contracts with selected applicants.

The On-Farm Energy, Organic and Seasonal High Tunnel initiatives are available in all 50 states, the Caribbean Area and the Pacific Basin. The Air Quality Initiative is available in Arizona, California, Colorado, Illinois, Montana, New York, Ohio, Pennsylvania and Texas. Air Quality funding is limited to counties within these nine States that have serious air quality resource concerns

related to non-attainment for Ozone and Particulate Matter.

Initiative Overviews

On-Farm Energy Initiative: NRCS and producers develop Agricultural Energy Management Plans (AgEMP) or farm energy audits that assess energy consumption on an operation. NRCS then uses audit data to develop energy conservation recommendations. Each AgEMP has a landscape component that assesses equipment and farming processes and a farm headquarters component that assesses power usage and efficiencies in livestock buildings, grain handling operations, and similar facilities to support the farm operation.

Organic Initiative: NRCS helps certified organic growers and producers working to achieve organic certification install conservation practices for organic production. New for fiscal year 2012, applicants will be evaluated continuously during the ranking periods. Applications meeting or exceeding a threshold score may be approved for an EQIP contract before the end of the ranking period. Applications rating below the threshold score will be deferred to the next period. A new threshold score will be established at the beginning of each ranking period. This new scoring process allows organic producers to implement conservation practices in a

timelier manner.

Seasonal High Tunnel Pilot Initiative: NRCS helps producers plan and implement high tunnels, steel-framed, polyethylene-covered structures that extend growing seasons in an environmentally safe manner. High tunnel benefits include better plant and soil quality, fewer nutrients and pesticides in the environment, and better air quality due to fewer vehicles being needed to transport crops. More than 4,000 high tunnels have been planned and implemented nationwide through this initiative over the past two years.

Air Quality Initiative: NRCS helps producers address air quality concerns on their operations. Assistance includes establishing cover crops, planting windbreaks, implementing nutrient management practices and applying other conservation measures that mitigate and prevent air quality problems. Conservation practices installed through this initiative reduce airborne particulate matter and greenhouse gases and conserve energy.

Visit the NRCS National Web site for more information on how to apply for these initiatives and connect with an NRCS office near you.

Commerce

(Contact Brad Trow at 1-3471.)

HHS Leaves Lump of Coal In States' Stockings On Cost of Federally-Run Insurance Exchanges

With a growing number of states considering options in lieu of creating their own health insurance exchanges, the U.S. Department of Health and Human Services decided to play the role of the Grinch when it announced last month that states would get to share in the cost of a federally-run exchange.

With the deadline for states to have their insurance exchanges up and running now less than 24 months away, many legislatures are wrestling with the issue. The federal health care reform law calls for the creation of exchanges to help facilitate the purchase of health insurance once the mandate for everyone to have coverage goes

"...many legislatures are wrestling with the issue."

into effect on January 1, 2014. States are required to have a "certified" exchange es-

established by January 1, 2013 so that testing of the system can take place before the open enrollment period begins in October of that year. When Congress established this provision, they understood some states may decide not to implement the exchange and so HHS was authorized in the bill to establish federally-run exchanges in these states. Just one problem for the bureaucrats inhabiting the Hubert Humphrey building at the base of Capitol Hill – Congress didn't give them any money to do this. An article on POLITICO.com revealed this problem in September, forcing HHS officials

to put together a plan for financing these exchanges.

In guidance issued by the Department on November 29, the department informed states that Medicaid and state children's health insurance programs like HAWK-I would not be required to pay for the use of the exchange. But they will have to pay the cost of transmitting information. The notice states: "State Medicaid and CHIP programs will have to transfer information and cases to, and accept information and cases from, the federally-facilitated exchange. The cost

of establishing, testing and maintaining those interfaces will be shared between State Medicaid and CHIP programs and the federally-facilitated exchange, consistent with current cost allocation rules."

The cost sharing would not end there, as state would also be expected to pay for accessing a federally-run data services network sharing information between state and federal agencies. It is also possible, but not discussed, that a state or its citizens may be charged for using the exchange to purchase health insurance.

Economic Growth

(Contact Louis Vander Streek 1-3626.)

Workforce Field Office Lawsuit

Item-Veto Court Challenge:

On Thursday, the Polk County District Court ruled on the lawsuit that AFSCME and a number of Democrat Representatives and Senators brought against Governor Branstad's use of the item-veto for SF 517, the Economic Development Appropriation Bill. At issue was the Governor's item-vetoes of three portions of the bill. Two of those provisions related to Workforce Development Field Offices and the other was related to a restriction of funds in administering a National Career Readiness Certificate (NCRC) Program.

The Court ruled **against** the Governor on the two questions involving the Field Offices and in **favor** of the Governor in the question of the NCRC program. The Court found that both of the field office-related paragraphs were conditions of the appropriation (and thus unable to be vetoed without vetoing the appropriation as well) rather than 'riders' (which may be independently vetoed without a veto of the appropriation to which it is attached).

Field Offices: The Economic Development Appropriation bill as passed by the House and Senate contained a paragraph of language in Division I, Section 15, Paragraph 3, Subparagraph C that stated:

(c) The department shall not reduce the number of field offices below the number of field offices being operated as of January 1, 2009.

The judge in the case ruled that the item-veto of this specific paragraph was unconstitutional as it constituted a condition of the appropriation for field offices and was 'inseparably connected to the appropria-

tion'. The judge ruled "The affirmative qualification of the appropriated funds could **not** be vetoed by the Governor without a veto of the corresponding appropriation" [emphasis added].

The bill also contained definitions for 'Field Office' and 'Workforce Development Center' in Division I, Section 15, Paragraph 5, Subparagraphs A and B. These definitions defined those terms so as to exclude the presence of a workforce development center maintained by electronic means:

5. DEFINITIONS

For purposes of this section:

a. "Field office" means a satellite office of a workforce development center through which the workforce development center maintains a physical presence in a county as described in section 84B.2. For purpose of this paragraph, a workforce development center maintains a physical presence in a county if the center employs a staff person. "Field office" does not include the presence of a workforce development center maintained by electronic means.

b. "Workforce development center" means a center at which state and federal employment and training programs are collocated and at which services are provided at a local level as described in section 84B.1.

Similarly, the Judge ruled that the definition paragraphs were conditions of the appropriation made for field office funding. The Judge specifically referenced the use of the phrase 'in this section' to show that the legislature meant to tie the definitions and the appropriation together conditionally rather than as a rider. The Judge wrote that "to

allow those definitions to be stricken would empower the governor to 'distort, frustrate or defeat the legislative purpose...He would thereby create new law, and this power is vested in the Legislature and not in the Governor.'"

NCRC: The appropriations bill also contained a section restricting the use of funding in Division I, Section 20:

Sec. 20. APPROPRIATIONS RESTRICTED. The department of workforce development shall not use any of the moneys appropriated in this division of this Act for the purposes of the national career readiness certificate program.

The Court ruled that, in this case, Governor Branstad's veto of the section was legal as the section restricted the appropriations contained in Section 20 to all of the different and unrelated appropriations made by the Department of Workforce Development (unlike the Field Office limitations which were limited and specifically tied only to the appropriation 'for the operation of field offices').

Effect: The Court ruled that the effect of the ineffective item veto is that: "The bill thus became law as if he had not exercised the item vetoes which were herein determined to be invalid." This means that, technically, the prohibition against lowering the number of field offices is current law, as are the definitions for 'field office' and 'workforce development center'.

The Governor's office is expected to appeal the ruling and it is unlikely that any offices would re-open while the case is on appeal.

Iowa's Unemployment Rate Remains at 6.0% in October

Data released by Iowa Workforce Development showed that October's unemployment rate remained at 6.0%. The nation's unemployment rate has now dropped to 8.6%. This number has been lauded by many as an accomplishment for the nation, but the reality is the 8.6% tallies those employed and looking for employment. It does not include those who have given up searching for a job, which many attribute to the large drop in the national unemployment level. More individuals actually left the workforce

(315,000) than got jobs (120,000), which is leading many to analysts to note that the 8.6% number isn't as beneficial as it appears.

Nonfarm employment rose by 2,300 jobs in Iowa from September to October, with the 'construction' (1,300), 'manufacturing' (1,300), and 'education and health services' (1,100) areas making the biggest gains. 'Leisure and hospitality' (-900) and 'financial services' (-700) saw the

biggest decreases. That leaves the number of nonfarm employment in Iowa at 1,484,400.

The Workforce Development numbers also show that initial unemployment claims are holding right around 12,000 claims per month, while the number of continued claims decreased from 27,967 in September to 27,253 in October as more individuals run out of benefits.

Education

(Contact Jason Chapman at 1-3015.)

Education Budget Requests for FY13

The Department of Education and the Board of Regents both recently presented their budget requests to the Governor and the Legislature. For the most part it is a status quo budget, but there were some increases in funding requested and one notable decrease.

The Department for the Blind, Vocational Rehabilitation and Iowa Public Television all remain status quo with FY12, asking for neither an increase, nor offering a decrease in funding. The College Student Aid Commission also put forth a status quo budget request, however, they do have a wish-list of increases which they will reveal later this week.

The Department of Education remained mostly status quo, but asked for some increases to meet federal maintenance of effort (MOE) requirements, or to restore funding to some areas that coincide with the Governor's Education Reform Plan. Those areas are:

Vocational Education Administration - \$98K increase (21.94%) – used to meet federal Perkins funding MOE requirements

Administrator Mentoring - \$195K increase (restore eliminated line item) – administrator mentoring is a piece of the Governor's Education Plan

Model Core Curriculum - \$179K increase (17.92%) – to help implementation of the Iowa Core

Student Achievement/Teacher Quality - \$215K increase (4.49%) – restores Teacher Development Academies, which were cut in FY12, and includes funding for Governor's Education Plan

The Department has asked for a decrease of \$2 million to the newly created Workforce Training funds at the Community Colleges (\$5 million appropriated in FY12), a 40% decrease. With this decrease, the Department of Education overall shows a 0.61% decrease in funding for FY13 (\$-1.312 million).

The Board of Regents went the opposite direction by requesting a \$36.9 million (7.07%) increase in funding for FY13. This is accomplished with a general 4% increase to most line items, including General Operating Budgets at the Board office, University of Iowa, and Iowa State, but also by specific increases and two new line items

Notable increases include:

University of Iowa General Operations - \$8.3 million (4%) increase

U of Iowa Oakdale campus - \$856K (24.2%) increase – state funding has decreased 24% over the last 10 years while operating costs have increase 20%

U of Iowa Flood Center – New line item of \$1.5 million – funded in FY10/11/12 with RIF money

Iowa State General Operations - \$6.5

million (4%) increase **ISU Renewable Energy and Value-Added Agriculture** – New line item of \$7.5 million – collaborative project between all three universities

UNI General Operations - \$6.9 million (9.35%) increase – additional requested by UNI because it has been hit harder by budget impacts than the other two universities

UNI Math and Science Collaborative - \$2.3 million (130%) increase – this is returning to FY09 levels with the added responsibilities related to administering the Governor's new STEM council

Iowa School for the Deaf - \$173K (2%) increase

Iowa Braille and Sight Saving School - \$181K (5%) increase

All told the FY13 requests for the Education Appropriation bill are \$558.958 million, \$36.9 million over FY12 (\$522 million).

DNR to Host Free GIS Training for Water Operators, Iowa Communities

On Thursday, December 8, 2011, the Iowa Department of Natural Resources (DNR) issued a press release announcing that Iowa communities should register now for a free DNR training session to learn how to better handle source water data using GIS. The DNR will host three training sessions to help water operators in Iowa communities collect, create and integrate special data using geographic information systems (GIS). This data will enhance attendees' knowledge of topography, well placement, infrastructure and more. Training attendees will learn how to:

- Use GIS software
 - Make maps of their community
- Find, collect, edit and load data using GIS

They will also receive Quantum GIS software, spatial data and training reference materials.

Register by Jan. 1 for a seat at one of these free trainings:

Fort Dodge: March 1 at Iowa Central Community College

Cedar Falls:: March 8 at Hawkeye Community College, Cedar Falls Center

Grinnell: March 15 at Iowa Valley Community College

To register, visit www.iowasourcewater.org. Trainings are limited to 20 attendees each. For more information, contact Soren Rundquist at Soren.Rundquist@dnr.iowa.gov or 319-335-1574.

Air Quality Bureau's Budget Process Posted on DNR Website

On Thursday, December 8, 2011, the Iowa Department of Natural Resources (DNR) issued a press release announcing DNR has posted information on the Air Quality Bureau's budget process on its website. The information is listed under Stakeholder Involvement — Meetings and Workgroups. Background information includes infor-

mation on the federal Title V program, a presentation on the budget process, the current budget in different formats, and a new budget calculator to allow stakeholders to look at different revenue streams for funding air quality activities. The pursuit of this information was a significant reason for legislation on this matter that passed the

Iowa House in the 2011 session, House File 660 that passed by a largely partisan 65-32 vote with Republicans supporting and most Democrats opposing and which the Senate refused to bring up for consideration. The public may contact Wendy Walker at Wendy.Walker@dnr.iowa.gov or at (515) 281-6061 to answer any questions.

Projects to Improve Water and Waste up for EPC Approval

On Thursday, December 8, 2011, the Iowa Department of Natural Resources (DNR) issued a press release announcing that the Environmental Protection Commission (EPC) will be asked to approve contracts for funding watershed improvement and solid waste alternatives projects during its December 20, 2011 meeting in Windsor Heights. Commissioners will be asked to:

- Approve five contracts with the Iowa Department of Agriculture and Land Stewardship - Division of Soil Conservation for watershed improvement projects and another to continue a water quality education project.
- Approve seven contract recommendations to fund solid waste alternatives or educational programs.

The meeting will begin at 10 a.m. at the DNR Air Quality Conference Room, 7900 Hickman Road. Public participation is scheduled for 10:30 a.m.

Find more information on the EPC agenda items at www.iowadnr.gov/epc/index.html.

DNR Announces New Small Business Air Assistance Liaison

On Wednesday, November 23, 2011, the Iowa Department of Natural Resources issued a press release announcing that DNR named Christina Iiams the new small business assistance liaison for air quality. As liaison, Iiams will refer small businesses to technical assistance providers, help them find ways to resolve complaints and provide outreach assistance on air quality regulatory requirements and programs. The position of small business assistance liaison for air quality is required by the federal Clean Air Act. A small business employs 100 or

less people, is owned or operated by a person, and emits fewer than 50 tons per year of any single regulated air pollutant and less than 75 tons per year of all regulated air pollutants. Iiams has served as program planner 2 in the DNR Air Quality Bureau for seven years and will continue to carry out those duties as well as those of small business liaison. For more information contact Christina Iiams at 515-281-4927 or Christina.Iiams@dnr.iowa.gov.

EPA: Portion of Council Bluffs Exceeds Air Quality Standard

On Wednesday, November 23, 2011, the Iowa Department of Natural Resources issued a press release announcing that DNR received the U.S. Environmental Protection Agency's (EPA) finalized determination that a 3.4 square mile area of central Council Bluffs violated the national air quality standard for lead in 2010 and is designated in nonattainment. The only known source of lead emissions in this area is Griffin Pipe Products Company. The DNR began working with Griffin Pipe in 2010 to implement changes to reduce lead emis-

sions. Griffin Pipe completed facility modifications and installed controls to reduce lead air emissions in early 2011. As of Nov. 15, 2011, the DNR's Council Bluffs lead monitor has not registered any violations. In 2010 the Council Bluffs lead monitor measured six violations of the national standard. The lead nonattainment area in Council Bluffs consists of industrial, commercial and residential areas. It is bounded by Avenue G on the north, North 16th/South 16th Street on the east, 23rd Avenue on the south, and North 35th/South 35th Street on the west.

The EPA allows areas in nonattainment 18 months from the effective date of designation — in this case Nov. 22, 2011 — to develop and implement plans to reduce the exceeding air pollutant within five years. The DNR will continue to monitor the area to determine whether additional measures may be needed to remain at or below the national air quality standard for lead. The standard is 0.15 micrograms per cubic meter of air, measured as a consecutive three-month rolling average.

Human Resources

(Contact Brad Trow at 1-3471.)

DHS Releases Final Report on Mental Health Redesign

After a four month flurry of meetings and public hearings, the Department of Human Services released its final report and recommendations for redesigning Iowa's mental health system.

In its report, the Department endorses the vast majority of recommendations made by the six work groups set up by the Legislature in Senate File 525. DHS supports the proposal for transitioning administration of the mental health system from single counties to a multi-county regional system. The Department proposes providing greater flexibility in the creation of these regions.

DHS also supports the recommendation that voting amongst regions would be based on the principle of "one-county, one-vote". This would prevent urban counties like Polk and Linn from imposing their mental health system on rural counties aligned with them in their regions. A controversial matter in the regional work group was who could be on a regional board. The group proposed that each board have at least 3 consumer/family member representatives, but no providers. DHS has softened this position by proposing to give regions the ability to make this decision, but to limit decisions spending and financing to only county supervisors.

The elimination of a legal settlement is also supported by the Department. The long-held policy of determining which county is responsible for the cost of services would be replaced by a system focusing on resi-

dency. While this would not totally eliminate controversies over who pays for services, it is believed that it would dramatically reduce the number of disputes.

"the levy sunsets at the end of FY 2013..."

The biggest change proposed by DHS is to have the state assume complete financial responsibility for those mental health and intellectual disability services that are covered by Medicaid, and leaving the counties with responsibility to fund the non-Medicaid services. Currently state and county dollars are combined at the local level and all mental health expenditures come out of a county's mental health fund. This means that the state sends money to the county, only to have much of it come back as the non-federal share of Medicaid costs.

The Department is proposing that the state keep all of its mental health appropriations and while transferring them to the Medicaid budget. To maintain Medicaid mental health services at the FY 2012 level, the Legislature would also have to appropriate \$47.4 million in additional funds. Counties would retain their mental health levy funds and receive the Social Services Block Grant funds to cover the cost of the non-Medicaid services.

This proposal is being driven by an ex-

pected shortfall of \$56 million in available mental health funds in FY 2013. The confluence of eroding county mental health fund balances, failure of previous legislatures to fund mental health allowed growth, and steep declines in the federal Medicaid participation rate has created the situation. Since many of the services for those with intellectual disabilities are mandated by state law, the brunt of the cuts would be on the mental health services side.

In terms of funding the redesign, DHS is proposing a four-year roll out with an additional \$66 million infused into the system. These costs would be offset in currently-identifiable savings of nearly \$27 million, mostly based on changes in federal Medicaid policy.

One area not addressed by the DHS report is the future of the mental health property tax levy. While the levy sunsets at the end of FY 2013, the report does not address how these funds (approximately \$120 million) would be provided in the future. While some continue to advocate for counties to have "skin in the game", there is a growing recognition that the use of property tax to fund mental health services only promotes an inequitable system. And after this fall's school board and city elections, there is strong evidence that the property taxpayers of Iowa have drawn the line on higher prop-

(Continued on page 9)



(Continued from page 8)

erty taxes.

The Department's recommendations will one of the areas of focus for the final meeting of the Mental Health Redesign Interim

Committee on December 19. That meeting will again be held on the second floor of the Ola Babcock Miller Building (Old Historical Building) from 9:30 AM until 4:30 pm. A full copy of the DHS Final Report and the Recommendations of the six workgroups is available at:

<http://www.dhs.state.ia.us/Partners/MHDSRedesign.html>

Judiciary

(Contact: Amanda Freel, 1-5230)

Supreme Court to Hear Arizona Immigration Law

On Monday, the United States Supreme Court agreed to hear arguments on Arizona's tough illegal immigration law. The Court will review a federal appeals court decision to block the law, claiming it was in violation of federal law and the U.S. Constitution. The decision is expected to be very controversial and will have lasting impacts on many states that have passed similar legislation.

In April of 2010, Arizona passed comprehensive immigration reform to deal with the large influx of illegal immigrants crossing the 370 miles of border between Mexico and Arizona. One of the most controversial portions of the bill made it a crime for immigrants not to carry their documentation on them at all times, and also allowed police officers broad power to detain anyone suspected of being an illegal immigrant. Before the law could go in to effect, the United States Department of Justice filed for an injunction to stop the law. On July 28, 2010, a judge granted the injunction and the state of Arizona has been locked in a court battle

with the Federal Government ever since.

Key provisions of the Arizona law have been blocked by a federal court and that injunction has been upheld by the Ninth Circuit US Court of Appeals. Among the sections in question are: the requirement that all immigrants obtain and carry immigration registration papers; creating a criminal offense for an illegal immigrant who seeks work or obtains a job; and allowing police officers to arrest those suspected of being illegal immigrants without a warrant.

The Ninth Circuit agreed that Arizona's actions interfered with President Obama's plan for immigration. Under President Obama, the federal government has focused their efforts on illegal immigrants who pose a threat to public safety or national security. Arizona's law focuses on all illegal immigrants and makes no distinction based on public safety. Arizona officials claim they are assisting the federal government enforce immigration laws and therefore the law should stand. However, the Obama administration claims Arizona's actions interfere

with federal law and undercut federal action.

A decision from the Supreme Court is expected around June. Unfortunately, the Supreme Court may not be able to solve the problem. Justice Elena Kagan has recused herself from the trial because of her previous work with the Justice Department on this issue. That means there is a potential for a 4-4 decision from the Supreme Court. If the justices split, the Ninth Circuit ruling is upheld, but that decision would not have an effect on a national level, only in the ninth circuit. Failure to have a majority of Supreme Court Justices Agree means there will not be a constitutional resolution on this issue and the court battles could continue.

No matter what the Justices decide, it is clear immigration reform has become a large issue both on the local and national level. The decision by the Supreme Court will create a blueprint for how far state laws can go before they cross in to federal territory.

Labor

(Contact Louis Vander Streek 1-3626.)

Holiday Sales Off to a Strong Start

Data from a number of consumer and retail groups show that retail spending is off to a good start for the 2011 holidays. The National Retail Federation is reporting that spending increased from \$45 billion in 2010, up to \$52.4 billion this year. The group also said that the average amount spent by a shopper rose from \$365.34 in 2010, up to \$398.62 this year.

On Black Friday alone, retail sales were up 6.6% from last year, according to Shopper-Trak. The group also reported that this was the largest year-over-year increase since

2007, which saw an 8.3% increase over the previous year. Some of this increase can be attributed to stores that opened earlier. Many of the biggest retailers decided to open their doors on or around midnight on Thursday night rather than in the early morning on Friday. Sales may have been aided by good weather across the country as Planalytics, a firm that guides companies on 'business weather intelligence,' reported that the nation experienced the warmest Thanksgiving shopping weekend in five years, with the least snowfall since 1999.

Online shopping contributed to the boom in retail sales as well. MediaLife reported that Cyber Monday became the heaviest online spending day in history with sales of \$1.25 billion. However, Monday was not the only heavy purchasing day, as both the next Tuesday (\$1.12 billion) and Wednesday (\$1.03 billion) saw high online sales. IBM's Smarter Commerce Initiative said that these online sales jumped 33% on Cyber Monday compared to 2010 and that the average amount spent on the online orders rose from \$193.24 in 2010 to \$198.26 this year.



Natural Resources

(Contact Dustin Blythe 1-3452.)

Honey Creek struggles to find profits

An investigative report done in November of 2011 found that the Honey Creek Resort continues to have financial problems. The \$58 million state-owned facility on Lake Rathbun was nearly \$220,000 below budget, causing the resort to lose nearly \$1.5 million after bond payments and management fees in the past fiscal year.

The financial problems have led to at least one member of the Natural Resource Com-

mission to recommend new management. Janelle Rettig, an NRC member is proposing the switch in the hopes that the resort could make more of profit. The DNR is not advocating a change in management at this time.

Honey Creek was opened in September of 2008, unable to convince a private investor to build the resort, the state stepped in and

financed most of the project with \$33 million in bonds.

The DNR has asked Governor Branstad to consider paying off the bonds in his fiscal 2013 budget. Paying off the bonds would allow the DNR to stop dipping into funds intended for conservation efforts, which totals more than \$3 million.

Public Safety

(Contact: Amanda Freel, 1-5230)

Holiday Safety Reminders from the Department of Public Safety

The holiday season is fast approaching. Families will be traveling across Iowa and the United States to spend quality time with loved ones. While the holidays are a joyous time, unfortunately, last year during the month of December, 21 people were killed on Iowa's roadways, and some of those deaths were due to alcohol. Iowa Department of Public Safety Commissioner Larry Noble wants to remind Iowans "The message is simple, drinking alcohol and driving does not mix. If you plan to consume alcohol, you should plan not to get behind the wheel of a vehicle..."

The Iowa State Patrol and local law enforcement are always on the lookout for drunk and impaired drivers. In 2007, over

13,000 individuals were arrested for driving under the influence and unfortunately, that number climbs every year.

Keeping loved ones secure is a priority for all Iowans and the Iowa Department of Public Safety has the following tips to help ensure everyone arrives at their destination safely:

Plan a safe way home before the festivities begin;

- Before drinking, designate a sober driver and leave your car keys at home;
- If you're impaired, call a sober friend, family member, taxi, or use public transportation;

- Use your community's Safe Ride program.
- If you see a drunk driver on the road, don't hesitate to contact your local law enforcement;
- And remember, Buzzed Driving is Drunk Driving. If you know someone who is about to drive or ride with a driver who is impaired, take the driver's keys and help them make other, more safe travel arrangements.

State Government

Contact: Kristi Kielhorn, 2-5290.)

Online Poker Revenue Estimated between \$3 and \$13 million

Earlier this month the Iowa Racing and Gaming Commission filed the report required by last session's Senate File 526 regarding online poker in Iowa. The report outlines how the legislature could regulate the playing of online poker in Iowa.

The report estimates that the online poker operators could make between \$13 and \$60 million annually. Assuming these operations are taxed similarly as casinos, the endeavor could create between \$3 and \$13 million in new state gambling tax revenue. It is important to note that if internet gambling

were legalized in Iowa, it is likely that Iowa's three Indian tribes would be offered the same opportunity under the federal Indian Gaming Regulatory Act. Indian internet wagering is not subject to state regulations or taxation.

The United States Department of Justice has stated that any internet gambling that crosses state borders violates federal law. However, this does not prevent internet wagering that occurs only within a state's borders. Currently both Nevada and the District of Columbia have legalized internet

wagering operations—but neither has been implemented.

The Racing and Gaming Commission's report can be found on their website at <http://www.iowa.gov/irgc/>.



Transportation

(Contact: Kristi Kielhorn, 2-5290.)

National Safety Board Recommends Complete Cell Phone Ban

The National Transportation Safety Board met this week and recommended that the use of all cell phones, including hands free devices, be banned while driving. This recommendation is stricter than any similar law already in place in any state. No state currently bans the use of hands free devices while driving. The recommendation is aimed at combatting the growing problem of distracted driving.

The recommendations came after the board completed their study of a 2010 crash in

Missouri. That collision involved a pickup truck, a truck-trailer, and two school busses that killed two and injured 35 people. The crash investigation concluded that the pickup truck driver had been sending and receiving text messages while driving just moments before the collision.

Distracted driving was the listed cause for 7,121 crashes in Iowa since 2001. Of those crashes, 3,541 resulted in injuries and 27 in fatalities according to the Iowa Department of Transportation. Iowa is currently one of

the 35 states that regulate, in some way, the use of electronic devices and cell phones while driving.

The National Transportation Safety Board is the federal accident investigation agency for all modes of transportation. The Board is charged with making safety recommendations which can then be adopted at the state or federal level. A webcast and explanation of recommendations can be found on the National Transportation Safety Board website at <http://www.nts.gov/>.

Veterans Affairs

(Contact: Jill Jennings, 1-3440.)

World War II Veterans To Be Honored at Iowa Gold Star Military Museum

In honor of the 70th anniversary of the attack on Pearl Harbor and the U.S entry into World War II, the Iowa Gold Star Military Museum will host "Honoring World War II Veterans" at the museum on Saturday, Dec. 17th at 2p.m. The program will honor all WWII veterans and their families.

Ames resident Grace Amemiya will be the keynote speaker. Amemiya was attending the San Francisco School of Nursing when the Japanese attacked Pearl Harbor, Hawaii on Dec. 7, 1941. After President Franklin Delano Roosevelt signed an executive order in February 1942 requiring people of Japanese ancestry to be moved into internment camps, Amemiya, a Japanese-American, was placed in the Gila River

(Ariz.) internment camp at age 21.

Other Iowa WWII veterans speaking at the event will include Robert Barnett, U.S. Marine Corps, a Battle of Iwo Jima veteran; Ray Duffee, U.S. Navy, who served as a Corpsman with the U.S. Marines at the Battle of Tarawa; and Joe Boitnott, an Iowa National Guard Soldier with the 34th Infantry Division who fought in North Africa and Italy.

The public and media are welcome and encouraged to attend the event.

Museum hours of operation are 8:30 a.m. to 4:30 p.m. Monday through Friday, and 10 a.m. to 4 p.m. on Saturdays. Please use the

NW 70th Ave. entrance. Photo identification is required for adults to gain admittance to Camp Dodge (a driver's license is acceptable). Group tours are welcome and available by appointment; contact the museum for scheduling. For additional information or questions about the Iowa Gold Star Military Museum, contact the museum at (515) 252-4531 or visit the museum website at www.iowanationalguard.com

For questions, please contact Col. Greg Haggood at gregory.haggood@us.army.mil or (515) 252-4582 (office) or (515) 971-6385 (cell), or Lt. Brandon Cochran at brandon.w.cochran@us.army.mil or (515)252-4518 (office).

Ways and Means

(Contact: Dustin Blythe, 1-3452.)

Research Activities Tax Credit

On November 16, the joint interim Tax Credit Study Committee was presented with an initial analysis of the Research Activities Credit. The full study will be done prior to the next legislative session.

Some of the highlights on the background of the RAC

- The Iowa Research Activities Credit was introduced in 1985
- Refundable
- 6.5% of incremental qualified research

in Iowa

\$48.6 million in claims paid supported over \$1.2 billion in research by Iowa companies

In 2011, 36 states offer research credits. The rates range from 1.25% to 25% with the most common rate being 10%. Only six states offer a refundable credit (IA, LA, MN, NE, NY & VA) with Minnesota being the latest to offer a refundable credit.

Counties with the most research being conducted were in Polk, Black Hawk, Linn and Dubuque. The average wage per research FTE was \$60,877 and supports over 13,378

jobs here in Iowa. In addition, 65% of respondents reported a new product or service was produced here in Iowa during the last 4 years from this research and 37% reported a new patent awarded within the last 4 years.

Law changes that were made in previous Legislatures have made the RAC more transparent and easier to administer. Certain legislative Democrats complain about the RAC but while Democrats had control of both chambers and the Governor's office, they failed to address it.