



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

- Abraham Lincoln

Thursday, June 15 2017

www.IowaHouseRepublicans.com

Appropriations

(Contact Brad Trow at 1-3471)

Inside this issue:

The Budget Lesson Democrats and the Radical Left Want you to Ignore: Connecticut

Democrat legislators and their friends in the mainstream media have spent the past week telling all who would listen that the budget situation in Kansas shows that tax cuts have failed. Curiously, they have ignored another state that followed their playbook – raising taxes on high-income earners. That state finds itself in 2017 with a massive budget hole and the targeted taxpayers fleeing the state. The question that needs to be asked across America is what went wrong in Connecticut?

Since the Great Recession, the Nutmeg State has gone to the taxpayers twice to resolve their state government’s need for additional revenue. In both 2011 and 2015, the Democrat-controlled legislature passed income tax hikes targeted at higher-income residents. Democrat Governor Dan Malloy sold these hikes as a grand bargain with taxpayers – if they paid just a little more, state government would do its part by reducing spending. The tax increases happened, but the fiscal belt-tightening did not.

Elected officials in the state entered 2017 once again facing a budget dilemma. Despite the two tax hikes, revenue in Connecticut was not meeting expenses. The state budget director described Connecticut as being in a “state of permanent fiscal crisis”. Budget officials predicted that revenue would be \$3 billion short of built-in expenditures for the biennial budget that would need to be passed.

How did legislative Democrats and their supporters respond to Connecticut’s growing fiscal crisis? By calling for even greater tax increases to be imposed. They put forward a plan that would

which would raise the state’s top income tax rate to its highest level ever. The remaining taxpayers wouldn’t be spared, as the state’s sales tax would be increased and local governments would be allowed to assess property taxes at 100 percent of a property’s value. This would allow the state to reduce their payments to local governments, but increasing the tax burden on Connecticut taxpayers.

Connecticut’s situation took a turn for the worse on May 1, when the state revenue figures showed that income tax collections were nearly half a billion dollars less than had been forecast. Income tax payments to the state were actually less than the previous year by over \$200 million. An analysis of Connecticut’s largest 100 income tax payers showed that they had paid 45 percent less income tax than the previous year. The collapse of income tax collections was compounded by sales tax revenue also failing to meet projections. Instead of having a balanced budget, Connecticut found itself short \$400 million in the last two months of the fiscal year.

These facts also changed the revenue forecast for next two years. The state now faces a \$5.1 billion shortfall in FY 2018 and 2019. Connecticut legislators finished their legislative session without passing a budget, which means expenditures will remain at the FY 2017 levels. That failure could actually increase the projected shortfall.

Why is this happening to a state that has followed the liberal playbook and raised taxes on the rich? Because taxpayers are leaving Connecticut.

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“enact a third round of income tax hikes”



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The migration out of the state isn't just limited to residents with high incomes. Many businesses are choosing to pull up stakes and take their jobs to more business-friendly locations. A number of investment firms running so-called hedge funds have left Connecticut for places like Florida, where there is no income tax. Since the

financial services industry is no longer required to be close to Wall Street to transact business, capital and tax dollars are flowing out of the state. And just recently, the insurance giant Aetna announced that they would be moving their corporate headquarters out of Hartford. Long known as the insurance capitol of America, the city now finds that only one major insurer calls Hartford home.

The message residents and businesses in Connecticut have been sending to their leaders was succinctly given by the editorial board of the **Hartford Courant** in April - "Enough With the Tax Hikes".

Map Revenue Figures Disappoint

State revenue experienced a disappointing end to the month of May, as revenue growth for FY 2017 was 1.2 percent through 11 months of the fiscal year. That is below the 2.7 percent growth the Revenue Estimating Conference had projected at their last meeting in March.

May's personal income tax receipts were down when compared to May 2016, as significantly more income tax returns were processed in May 2016 than this year. Much of the processing work was done in April, which resulted in a spike in last month's figures. When combining April and May, personal income tax collections were up 2.4 percent. For the fiscal year, personal income tax collections are up 2.5 percent.

Sales and use tax collections for May were also lower, trailing May 2016 by 0.4 percent. For the year, collections remain on the positive side of the ledger but have only grown by 0.4 percent. The

Among neighboring states, Illinois sales tax revenue has grown by just over 1 percent this year and Nebraska's collections have

actually declined when compared to last year.

The one bright spot for revenue in May was corporate income tax collections. These

"slow growth in sales tax revenue is a nationwide phenomenon."

grew by \$18.8 million, which amounts to an increase of 38.9 percent when compared to May 2016. For the year, corporate tax collections are up \$21.5 million or 5.1 percent. The REC had forecast a decline of \$100,000 in collection for the year.

In its report on revenue, the nonpartisan Legislative Services Agency noted that actual collections through May were \$97.1 million below the forecasted level. This is how the media is saying the state revenue could be \$100 million less than projected. But that number is not the final number

– the fiscal year does not end until June 30 and the books do not officially close until August 30.

If state revenues do not meet the REC projection, the Governor does have the ability to use up to \$50 million of the Economic Emergency Fund (EEF) to fill the gap. Those funds would have to be repaid to the EEF in FY 2018. Any amount below the REC estimate would be in addition to the \$131 million which was borrowed from the Cash Reserve Fund in the Standings bill.

State revenue figures do fluctuate on a daily basis. The Legislature's home page has a link to a spreadsheet showing daily receipts. Last Friday, it said state revenue had grown 1.53 percent for the year – an improvement over the end of May. On Tuesday morning, the growth figure was 2.67 percent. The number changes daily and has varied significantly, even in the past few weeks. The figure's fluidity has made it very difficult for anyone to predict how revenue growth will finish up this year.

Fitzgerald Playing Politics with State Revenue Figures

In light of the state revenue picture, State Treasurer Michael Fitzgerald is doing what he can to try and make the start of Governor Reynolds' tenure in office a rocky one. He has used the recent revenue figures to try to scare Iowans by claiming the state has a cash flow issue and we may not pay our bills on time.

That is not accurate. The June payment for Medicaid services was made at the end of last week and the final state school aid payment for the fiscal year were made to districts on Wednesday. These are the state's two biggest outlays and they were made on time. Also the state's reserve funds still have around \$600 million, which is used during the year for those times when outflows exceed revenue. The state is paying its bills and will continue to do so.

Why would the Treasurer raise this concern and push for the state to incur additional costs by borrowing money? His waving a "red flag" to the media could be seen as

more of a political ploy against the new governor instead of any fiduciary concern he might have. It is interesting that these concerns weren't raised by the Treasurer during the legislative session. He waited until the Legislature had adjourned for the year and Governor Branstad's confirmation hearings were about to take place to take his fears to the media – not policymakers.

When the state truly had a fiscal crisis in 2009 and 2010, the Treasurer was singing a much different tune. As the Sioux City Journal reported on April 20, 2010, "When it comes to state government's fiscal condition, State Treasurer Mike Fitzgerald is advising Iowans to believe the financial ratings not the political rhetoric." The state's credit rating had just been raised to AAA by all three rating agencies. "Fitzgerald said that the state credit ratings provide an opinion on the relative ability of an entity to meet its financial commitments", the Journal reported. Iowa's bond rating remains at AAA level according to the rating agencies, but

somehow the Treasurer doesn't find that to be an accurate measurement anymore.

As for the desire to issue debt, the rationale for that is much more obvious. One of the few roles the treasurer actually has is overseeing the issuance of debt. In this capacity, Fitzgerald has a very close relationship those firms that issue and market bonds and the bond counsel who handle the legal work. They would also profit from the state issuing even short-term debt. In previous years, many of the people in this business have been very supportive of the Treasurer's political efforts.

The Treasurer's recent comments achieve two positive political results for him – undermining the state's first female governor (who just happens to be a Republican) and allowing him to cozy up to the people who rely on him for business.

Commerce

(Contact Brittany Telk at 1-3452)

Iowa's Stopgap Measure: A Temporary Solution to the ACA's Permanent Growing Problem

Last year around this time, insurance companies had submitted their ACA-compliant plans, premiums and supporting documentation to justify the plans and dollar amounts to the Iowa Insurance Division for consideration for the 2017 coverage period. This year, people are not seeing these same plans and premiums...because there are no insurance companies left to cover the individual market in Iowa. This is not a surprise, as Wellmark announced back in March with Aetna following closely in April that these insurance companies would not be offering individual plans on the ACA exchange. Both companies citing the high cost of providing such plans as rationale for their exits, leaving Medica as the sole provider in Iowa offering such plans in all counties. But recently, Medica has indicated its plans to leave the market, as well, absent some change to the system. Medica is the sole provider for these types of plans in Iowa, Nebraska and possibly Kansas, as of right now, and Aetna has been exiting the market, nationally, with no intentions of re-joining it to offer such plans. With little to no options left, 72,000 Iowans will be left uninsured with no possibility of having insurance for 2018. To combat this problem, earlier this week, the Insurance Commissioner released his plan to provide coverage to Iowans through a standardized plan, which includes tinkering with federal funds and a reinsurance program to ensure there are carriers to provide options which he has dubbed the Proposed Stopgap Measure ("PSM").

The Insurance Commissioner is requesting a 1332 State Innovation Waiver with CMS to implement this new PSM, and has asked for a response within the next 2 weeks. These waivers are outlined in the ACA, and allow states to implement innovative ways to provide access to health care that is at least as comprehensive and affordable as would be provided absent the waiver, provides coverage to a comparable number of residents of the state as would be provided absent the waiver, and does not increase the federal deficit. Under the Obama administration, these waivers were a bit more difficult to have granted, but the Trump administration has suggested otherwise; in one of his first [Executive Orders](#), President Trump instructed the heads of all executive departments and agencies with authorities and responsibilities under the ACA to

"exercise all authority and discretion available to them to provide greater flexibility to States and cooperate with them in implementing healthcare programs." The Order also grants the authority to waive provisions of the ACA that impose a burden on all those involved in the healthcare and insurance systems. In light of this Order, the stopgap measure includes:

A single, standardized plan to all eligible Iowans:

The plan will meet the silver tier requirement of between 68-72% actuarial value, to provide administrative simplification. The plan will include the essential health benefits required by the ACA, as well as all applicable state mandated benefits, and due to its compliance and metallic tier requirements, the federal risk adjustment program can be utilized to facilitate risk adjustment and high-cost risk pooling between carriers. For 2018, the plan will be offered on a guaranteed issue basis and will not have any annual or lifetime limits. Any Iowa resident who is eligible may purchase the Iowa PSM Plan, but he or she must purchase during the open enrollment period, and if not a person must prove continuous coverage over the previous twelve months.

Premium subsidies based on age and income; and

According to a Milliman recent estimate, Iowans are expected to receive \$194M in Advance Premium Tax Credits ("APTC"), and \$48M in Cost Sharing Reductions ("CSR") in 2017. With APTC increasing each year to correspond with premium increases, Iowa estimates the required funding for these amounts will be \$304M. The proposed plan will take the \$352M, and divide amounts to both a reinsurance program and individual premium credits based on age and income. These credits will only be available those who purchase the Iowa PSM Plan, with every individual receiving a monthly premium credit based on age and income, paid directly to the insurance carrier. The subsidy will be a defined flat dollar credit based on the previous year's income as a percentage of federal poverty level and the individual's age. Iowa is estimating the cost of these premiums to be \$220M, which could obviously vary based on the actual enrollment and demographics.

A reinsurance program

With the remaining federal funds, Iowa is requesting use of the money to supplement its existing reinsurance program. The reinsurance plan will reimburse carriers for high cost individuals who incur claims greater than \$100,000 on an annual basis; for claims between \$100,000-\$3M, the program will provide an 85% coinsurance protection. To be part of this reinsurance program, carriers will also be required to care management protocols. This program will operate in conjunction with the Federal High-Cost Risk Pooling Program, which provides federal reinsurance at an attachment point of \$1M with 60% coinsurance payments. For claims between \$1M-\$3M, the Iowa PSM Plan will provide coinsurance at 25% for an 85% total when combined with the federal program. After hitting \$3M, the carrier will have 100% coinsurance protection, 60% federal and 40% Iowa. Iowa estimates \$80M for funding for this program.

Prior to the ACA, Iowa had a stable individual market with some of the lowest premium levels in the nation and one of the highest health insurance coverage rates in the nation (less than 9.7% uninsured). And while under the ACA, the number of uninsured decreased, the number of those actually purchasing policies in the individual market has also decreased. Efforts to fix the market in Iowa have been stalled due to political uncertainty, and the fact that this is largely a federal problem. In his press conference on Monday, the Insurance Commissioner noted this is his only solution, despite the fact it will not decrease insurance premiums.

Going forward, the timeline for the PSM including all rate-filing deadlines, public hearing information, open enrollment and beginning 2018 coverage can be found [here](#). Public comments can be viewed and submitted [here](#). The entire PSM can be viewed [here](#), with more detailed numbers on the tax credits, authorities and checkoff information.

Source: [Iowa Insurance Division](#)

Economic Growth

(Contact Brittany Telk at 1-3452)

IEDA Tax Incentive Series: Renewable Chemical Production Tax Credits

As we continue to explore the different business development and tax incentive programs within the IEDA (last week covering the most popular, High Quality Jobs Program), we are going to focus on the [Renewable Chemical Production Tax Credit program](#) -the newest tax credit program available through the IEDA, created during the 2016 session. This bill was first introduced in the 2015 session, as part of a large [IEDA tax credit omnibus](#), but failed to pass the Senate. In 2016, [SF2300](#), with support from various players in the industry, the bill passed both chambers with wide bipartisan support.

The bill itself begins by limiting the tax credit amounts that can be allocated to the High Quality Jobs Program to \$105 million for the next 5 fiscal years, as a way for the program to remain truly revenue-neutral. It provides definitions to be used throughout the chapter/program, the most important being: "building block chemical"--defined as "a molecule converted from biomass feedstock as a first product that can be further refined into a higher-value chemical, material, or consumer product;" "biomass feedstock" is defined as a "sugar, glycerin. . . fat, grease, or oil derived from a plant or animal, or a protein capable of being converted to a building block chemical by means of a biological or chemical conversion process." It outlines the eligibility requirements:

- Physically located in Iowa
- Operated for-profit and under single management
- Not an entity providing professional services, health care services or medical treatments or a retail operation
- Organized, expanded or located in Iowa on or after July 1, 2016

- Will not be relocating or reducing operations in Iowa Legislature In compliance with all agreements entered into under this program or other programs administered by the IEDA

The tax credit is based on production, at a \$0.05 per pound tax credit for companies that produce the certain "building block" chemicals that can be used for various end products. The refundable credit would be capped at \$1 million for a new company and \$500,000 for an those that are established; a business may only receive a credit for renewable chemicals produced in a calendar year to the extent that such production exceeds the amount the eligible business produced in the year prior to becoming eligible for the RCTCP, for a total of 5 tax credits under the program. The IEDA can issue up to \$10 million per fiscal year for 10 years, and can utilize a waitlist to issue tax credits on a first-come, first-served basis until the maximum amount is reached with businesses on the waitlist given priority for receiving the tax credit in the following fiscal years.

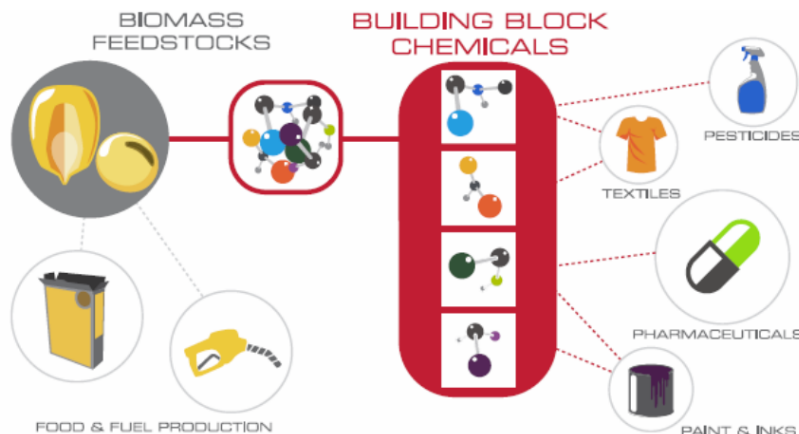
The application process has been in the process of being created since the bill's passage, with the first round of applications becoming available starting in January 2018, for the 2017 calendar year; however, the application steps include:

- Applications must be made during the calendar year following the calendar year in which the renewable chemicals are produced
- Online through CACTAS system
- Application window from February 15 - March 15
- IEDA may request additional information to verify production claims

- After review, IEDA will notify each applicant of application status and the applicant's place in line, if on the waitlist
- Compliance cost fees: one-time \$500 fee, and for each contract with an aggregate tax incentive value of \$100,000 or greater, the business shall remit a compliance cost fee equal to one-half of one percent of the value of the tax incentives claimed pursuant to the agreement.

Applications must include all information required to calculate the tax credit, such as: dates business came or expanded in Iowa, business location, renewable chemical name and where it is produced, amount produced, type of biomass feedstock and various percentages of such chemicals as necessary. Information such as the number of Iowa employees and aggregate sales, which is required for reporting to the legislature, will also be required. There are also agreement requirements, as businesses will have to enter into a contract with the IEDA prior to receiving any tax incentives (and this goes for all business development programs with the IEDA, not just this particular incentive).

The [IEDA has stated](#) the program will work in a way for the existing industrial facilities around the state producing products from renewable products will also produce other co-products that can then be processed into higher value, basic chemical compounds. These compounds could then be processed into other consumer products. The RCPTC is an attempt to incentivize the production of these high value chemicals which would in turn: create new opportunities for R & D, create a stronger market for these co-products generated by the State's existing renewable fuels industry, support Iowa's farmers, reduce carbon emissions and help maintain Iowa's leadership position in renewables.



Education

Contact Jason Chapman at 1-3015)

Tuition Increase at Iowa Universities Approved

The Board of Regents last week approved an increase in tuition for students attending the University of Iowa, Iowa State University, and the University of Northern. The pro-

posal approved was a 5% increase over 2016/17 rates. In December the Board had originally approved a 2% increase in base tuition rates

for 2 years, coupling that with an ask for a 2% increase in state appropriations for each of those two years as well.

	16/17 Tuition	Dec. 2016 Proposal - 2% increase		June 2017 Proposal - 5% increase	
		17/18 Tuition	\$ increase	17/18 tuition	\$ increase
Iowa	\$7,128	\$7,270	\$142	\$7,486	\$358
Iowa State	\$7,098	\$7,240	\$142	\$7,456	\$358
UNI	\$7,098	\$7,240	\$142	\$7,456	\$358

The Board's original proposal was based on Higher Education Price Index projections for FY18 that ranged from 1.3% to 3.0% with a mean of 2.2%.

The latest proposal, however, came after the legislative session in which falling state revenues caused action to reduce state spending in many areas, including higher education. In order to maintain a balanced budget, the legislature made mid-year FY17

reductions to the Regents Universities of \$20.75 million, and additional reductions of \$9.5 million for the FY18 budget.

The Regents estimate their tuition increase of 5% next year will generate \$25.67 million.

House Republicans have worked with the Board well in the past, working to provide increased funding to meet the needs of the

Universities and provide affordable education opportunities for students. This led to 3 consecutive years of tuition freezes. The Board has also commissioned efficiency studies that have helped identify ways in which the universities can find ways to save expenses by combining services, eliminating duplication, and cutting out wasteful spending. We expect the university to continue that effort.

Iowa State University Presidential Search Continues

Following the resignation of Iowa State University President Steven Leath in March, the Board began the process of finding a replacement. The latest step in the process began last week when the Board announced public forums which ran this week in Ames.

Here's a review of the steps in the presidential search process so far:

- **April 20th** - a 21-person search and screen committee was appointed, co-chaired by Dan Houston, president and CEO of Principal Financial Group, and

Luis Rico-Gutierrez, Dean of the Iowa State College of Design.

- **May 5th** - The Board selected AGB Search firm to assist in the presidential search, at a cost of \$110,000. The firm is based in Washington, DC, and specializes in university presidential searches.
- **June 5th** - The search committee held its first meeting on the Iowa State University campus.
- **June 12 - 13** - The search committee held open forums at Iowa State and in Ames.

The search committee expects to wrap up its work and make a final selection in October 2017.

For more information about the search, including to listen to audio from the public forums, or to submit public comments through June 19th, visit the presidential search site here: <https://www.presidentsearch.iastate.edu/>

Human Resources

(Contact Carrie Malone at 5-2063)

Jerry Foxhoven Appointed New Department of Human Services Director

Governor Kim Reynolds appointed Jerry Foxhoven to serve as the director of the Department of Human Services. This news follows the announcement by the current director, Charles Palmer, of his retirement. Foxhoven is well known in the legal community for his expertise and leadership in juvenile law. Highlights of his expertise in child protection include:

- Co-Chair, Children's Mental Health and Well-Being Workgroup, 2015-16
- Chair, Iowa Juvenile Home Protection Task Force (appointed by Gov. Terry Branstad), 2013
- Member, Children Disabilities Services Workgroup, Mental Health and Disabilities Redesign Project, 2011-13
- Facilitator, Iowa Child Abuse Registry
- Revision Workgroup
- Chair, Iowa Child Welfare Advisory Committee, 2008-16 (appointed by Gov. Chet Culver and confirmed by the Iowa Senate)
- Board of Directors, Iowa Child Abuse Prevention Council, 2010-2015
- Member, Iowa Children's Justice State Council, 2007-2014
- Member, Iowa Child Policy Coalition, 2007-present
- Member, Iowa Child Protection Council, 2003-2019 (Chair, 2004-2016)
- Member, National Advisory Board, Fostering Families Today magazine, 2001-present
- Member, Diversity Committee, Iowa Supreme Court Select Committee to Review State Court Practices in Child Welfare Matters, 2000-2007
- Board of Directors, Iowa Friends of Foster Children Foundation, 1989-2002 (President, 1997, 1999-2002)
- Governing Board Member, Kidsake, Iowa's Special Needs Adoption Project, 2000-2002
- Member, National Foster Care Advisory Committee, Child Welfare League of America, 1998-2000

Foxhoven begins his new role at DHS on Thursday.

For the full press release, click [here](#).

Disability Rights Iowa Sues Governor Reynolds and DHS Director over Medicaid

Disability Rights Iowa has organized and filed a lawsuit in federal district court against the Director of DHS and Governor Kim Reynolds for "violating basic human rights and Medicaid law." There are six plaintiffs named in the suit, but the lawsuit seeks to make it a class action lawsuit on behalf of the 15,000 Iowa Medicaid recipients with disabilities.

Disability Rights Iowa claims that DHS and

the Governor promised that Medicaid services for disabled Iowans would not change for two years. The suit claims this promise was broken within nine months. The suit alleges that Iowa's Medicaid program is violating federal laws and a U.S. Supreme Court decision declaring that disabled Americans have the right to live as independently as possible (*Olmstead v. L.C.*)

The Iowa lawsuit states, "This year, the

plans claimed that they had lost too much money on their Medicaid contracts and began cutting these members' necessary home and community-based services without any significant changes to their health needs, giving them neither notice nor an opportunity to appeal." The lawsuit asks a federal judge to stop cuts to services for Iowans with disabilities.

Judiciary

(Contact Amanda Wille at 1-5230)

Effective Dates for Provisions in the Firearms Rights Bill

House Republicans have worked hard to protect Second Amendment Rights for Iowans. This year, the House and Senate agreed to bi-partisan legislation that has been declared Iowa's most comprehensive firearms rights bill. A lot of misinformation has been spread about the bill, and it is important to remember what the new law does and doesn't do and when the new law takes full effect.

Effective Upon Enactment

Two divisions of the bill became effective upon enactment. Division V, addressing the possession of pistols and revolvers by persons under 14 years of age and division VI requiring the names and identifiable information of permit holders to be kept confidential.

With these changes, parents now have the

opportunity to teach their children how to safely handle firearms. An instructor may also work with a person under 21 to teach them how to safely shoot pistols, revolvers and other firearms. However, the law prohibits a person from being intoxicated while offering instruction and requires the person providing the training to be close to the trainee to offer assistance.

Division VI ensures anyone who has a professional or nonprofessional permit to carry or a permit to acquire will now have their personal information kept confidential. The information will only be available in limited circumstances to law enforcement

Effective July 1, 2017

Iowans will be allowed to legally possess

short-barreled rifles and shotguns if they adhere to strict federal laws including extensive background checks and a federal tax.

Private investigators and security guards, who have a permit to carry weapons, will be allowed to carry on school grounds, while engaged in the performance of their duties.

Permits to carry firearms and permits to acquire will be uniform in appearance and issued for 5 years. For an initial permit to carry, a person is required to take a firearms safety class that includes handgun safety. Language in the new law also makes it easier to get a duplicate permit if a person has moved counties. A person who is denied a permit, and wins on appeal, shall be awarded attorney fees and court costs.

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Current law prohibit a political subdivision from enacting ordinances that restrict firearms possession. Language was added to clarify that a political subdivision includes only a city, county or township. A person who is adversely affected by a political subdivisions ordinance or rule regulating firearms, may file suit seeking injunctive relief.

Under current rule, the general public is prohibited from carrying firearms in the State Capitol. The new law ends this rule and allows a person who has a permit to carry, to conceal and carry a pistol or revolver in the Capitol Building and surrounding grounds and parking. A person must show their permit to carry to Capitol Security if requested.

The Governor will no longer be able to suspend Second Amendment rights in a state of emergency.

A person can use reasonable force, up to and including deadly force to protect themselves and others, if there is a reasonable belief that force is necessary. Iowans no longer have a duty to retreat from any place they are legally allowed to be. Additionally, a person is presumed to be justified in using deadly force if they believe it is necessary to protect themselves or others in their home, place of business or vehicle. Language was added requiring a person who uses deadly force to notify law enforcement and to not destroy evidence or influence witnesses.

The bill increases the penalty for straw purchases to keep firearms out of the hands of individuals barred from possessing firearms.

A person riding a snowmobile or ATV can carry a pistol or revolver under current law. The new law strikes the requirement that the weapon be in a retention holster.

An owner of private property in an unincorporated area of a county may fire weapons for target shooting on the private property. Using the property in this manner is not a violation of noise ordinances, or a public or private nuisance.

A person charged with 708.6 (Intimidation with a dangerous weapon) or 724.26 (Possession, receipt, transportation, or dominion and control of firearms, offensive weapons, and ammunition by felons and others) will be required to see a judge before being released on bond.

What the bill does NOT do:

No part of HF 517 allows Iowans to shoot whomever they want for any reason, as some opponents have suggested. The stand your ground language is designed to allow Iowans to protect themselves from actual threats. Iowans are no longer required to retreat from a place they are legally allowed to be and don't have to worry about civil lawsuits if they act in self-defense.

“The bill does not allow for children to carry firearms.”

Under current law a person under legal age can shoot long guns with supervision. The changes in HF 517 make laws for pistols

and revolvers similar to laws for long guns. This allows parents or instructors to teach a person under 21 how to safely handle and fire pistols and revolvers and supervise them while they use the firearm.

HF 517 does not eliminate permits to carry weapons or background checks. Under current law, Iowans must have a permit to carry firearms in most situations. That law remains in place and is updated to ensure permits are uniform across the state and that the training requirements are clear. Everyone who applies for a permit to carry or permit to acquire is subject to a background check by their local sheriff's office.

Opponents have also used examples of recent shootings around the country to highlight the dangers of HF 517 and have claimed the bill allows people with mental health issues, criminals and others banned from possessing firearms to have access to the weapons. The bill does not change who can legally own firearms, those who are prohibited under current law are still prohibited. The bill only expands rights for Iowans who can legally own firearms. Additionally, there is an increased penalty for anyone who provides a firearm to a person who is banned.

As the new law is implemented, law enforcement and the public may have questions. The Department of Public Safety and other departments are in the process of developing rules to help implement the new law and will be working to answer questions as they arise.

Labor

(Contact Mackenzie Nading at 1-3626)

Money is being Saved Under New Collective Bargaining Reform

On Tuesday, June 13th, the Administrative Rules Review Committee met to consider any notice or filed rules for the month of June. The Department of Administrative Services posted a notice of a rule change titled [ARC 3072C](#), which was related to human resources processes pursuant to the enactment of [House File 291](#). Below is a summary of the changes made by ARC 3072C, according to the Legislative Services Agency:

- Permits an employee's personally identifiable information related to facts about an employee's termination, discharge, or demotion to be released without the consent of the employee. Eliminates references to contract classes related to minimum pay and noncontract classes related to maximum pay.
- Eliminates the requirement that pay grade changes be negotiated with collective bargaining representatives, the distinction between contract and non-contract pay grade changes, the inclusion of lead worker pay when calculating new pay grades after a promotion, and the option to pay an employee above the employee's new pay grade when the employee is disciplinarily or voluntarily demoted. Also eliminates the deduction of dues for employee organizations.
- Specifies that Family and Medical Leave Act (FMLA) and workers' compensation leave will be counted toward an employee's pay increase eligibility period.
- Specifies time spent on FMLA and workers' compensation leave will be included in the calculation of retention points during a reduction in force. Also specifies that FMLA, workers' compensation, and military leave will be considered as time meeting job expectations, and makes a conforming change related to FMLA and an employee's pay increase eligibility date.
- Eliminates numerous distinctions between contract and noncontract work as it relates to special pay, grievance decisions, health flexible spending accounts, vacation buyback, FMLA procedures, State health insurance premiums, overtime pay, and applications for promotions.

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- Eliminates the reference to the collective bargaining agreement as it relates to lead worker pay, and makes a conforming change related to an employee's pay increase eligibility date. Eliminates the designation of community-based corrections employees as permanent employees eligible for promotion.
- Specifies that all administrative rules for filling vacancies must be followed when filling a position by promotion or by voluntary demotion, and provides additional direction for employee transfers.
- Specifies that a suspension with pay pending an investigation may be extended by the employee's director.
- Extends the time for a supervisor to attempt to resolve a grievance from seven to 14 days, and modifies the grievance procedures including the pay

status of the grievant.

- Specifies that informal settlement agreements are not binding until approved, in accordance with new Iowa Code section 22.13A

When any rules are noticed or filed, the department filing the rule is required to estimate whether or not there will be a fiscal impact attached to the changes. DAS anticipated that the fiscal impact resulting from these changes had a This savings comes in large part from align-

“potential annual savings of approximately \$5 million dollars.”

ing the calculation of pay for employees set forth in the [Fair Labor Standards Act](#). This is a necessary change due to the elimina-

tion of overtime pay as a mandatory topic of negotiation between the labor union and employer during collective bargaining contract negotiations. By relying on the federal standard for overtime compensation, the state will see a large increase in savings each year.

Not only was this the estimated savings DAS anticipated, LSA concurred in their findings. They stated, “Approximately 57.0% of salaries are funded from the General Fund. The changes implemented by this rulemaking would result in a General Fund cost avoidance of approximately \$2.9 million of the identified \$5.0 million impact.”

The Fiscal Note for HF 291, published during the 2017 Legislative Session, identified a potential reduction to State expenditures. At the time, sufficient information was not available to determine a fiscal impact. The fiscal impact estimate provided for this rulemaking encompasses changes made to overtime and callback pay.

PERB Continues to Make Rulings on Collective Bargaining

Since the enactment of House File 291, the Public Employee Relations Board has been making rulings on disputes filed by unions and employers that relate to the implementation of the collective bargaining law. The majority of PERB's decisions have been related to negotiability: determining what topics of negotiation fall into which category: mandatory, permissive, or prohibited. Many unions have been quick to file cases stating they believe certain topics of negotiation, that have not been specifically outlined in House File 291, are meant to fall into the mandatory category. On the other side, employers retort that not only should certain topics not be considered mandatory, they should instead fall into the prohibited category.

Although PERB must rule on all cases of dispute that are filed before them, some of these cases are producing decisions that will be considered precedent for PERB moving forward. Two cases in particular have issued decisions that are noteworthy, one involving Columbus Community School District, and the other Oskaloosa Community School District. Below is a summary of the rulings made in each case, and how they will impact collective bargaining in the state of Iowa in the future.

Columbus CSD Decision:

This ruling addressed two topics: the defini-

tion of base wages, and extracurricular pay. PERB has had many cases of dispute filed claiming that base wages should be considered a myriad of different things. They addressed in this decision that they need to narrow down a definition of base wages moving forward, and this is what they ruled:

- PERB defined “base wages” as “...the minimum (bottom) pay for a job classification, category, and title, exclusive of additional pay such as bonuses, premium pay, merit pay, performance pay or longevity pay.”

That definition shall be the standard for which PERB rules on any cases moving forward that try to expand the definition of what shall be considered a base wage, which is a mandatory topic of negotiation.

The second topic addressed in this case was extracurricular pay. The union argued that the wage attached to an extracurricular role (e.g. football coach, staff activity coordinator, drama teacher) shall be considered a base wage. The school district argued that not only should it not be considered a base wage, but it should be considered supplemental pay, and therefore the salary attached to each position shall be a prohibited topic of negotiation. PERB split the issue and ruled on two different points:

- PERB determined the creation of dis-

tinct extracurricular roles is a **permissible** subject of negotiation, as these roles are essentially job categories.

However, once created, the base wage for each role shall be a **mandatory** subject of negotiation.

In summary: whether or not a certain extracurricular role exists shall be a permissible subject, but once it does exist the salary attached to it shall be a mandatory subject.

Oskaloosa CSD Decision:

This ruling further addresses base wage vs. supplemental pay and focuses on two topics in particular: pay scales and teacher salary supplements. The union argued that the “Y axis” of a pay scale (longevity pay based on years worked, supplemental education, etc.), as well as the “X axis” (job categories), should be considered base wages. They also argued that the extra money allocated to schools from the state each year for teacher salary supplements (TSS) shall also be considered base wages. The school district in this case argued that each should be considered prohibited topics of negotiation as they fall into the supplemental pay category. Here is how PERB ruled:

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- **Pay scales:** PERB ruled the longevity pay (Y axis) on commonly used wage scales is a **permissive** subject of negotiation. PERB further determined that each category on the educational attainment line (X axis) will be considered a job category, and job categories are a **permissive** subject of negotiation. If an employer has designated the existence of a job classification (X axis), whether or not they negotiated it with the union, the base salary for each job category shall be a mandatory subject of negotiation. In this circumstance, the “base wage” over which they can negotiate is defined in the *Columbus CSD* decision. **As a result, only step 1 of the pay scale is the “base wage.”**

- In Summary:
 - Where employers place employees on either the X or Y axis of a pay scale is permissive.
 - **Extracurricular Scale:** If a district chooses to have an extracurricular pay scale, the first step of the scale shall be considered “base wage” (mandatory). All steps shall be permissive.
- **TSS:** PERB finds the TSS money is not included within the definition of “base wage” and therefore is not a mandatory subject of negotiation. That said, PERB adds they do not believe TSS is included within the definition of supplemental pay. They believe TSS is a wage, but not base wage and; therefore, is a per-

missive subject of negotiation.

One thing was made clear through both rulings by PERB: there is a grey area of wages that is neither considered base wage or supplemental pay. Whatever falls into this category is considered permissive, but it does not have a concrete definition. It is not within PERB’s authority to create a new definition of negotiation, however, they have been referring to this category in their rulings as “non-base wages”. It is important to make a clear distinction of this grey area in order to obtain as much clarity and transparency, for both union and employer, moving forward.

Newsletters throughout the interim will continue providing updates on PERB rulings with regards to collective bargaining reform.

Natural Resources

(Contact Carrie Malone at 5-2063)

Iowa Men Charged with Stealing Walnut Trees

Two Iowa men are facing felony theft charges. Iowa DNR claims they stole nine walnut trees from Loess Hills State Forest in early January of 2017.

According to the DNR, the men cut the trees and took them to Council Bluffs, where they were then sold to a log buyer for \$4,000. The two men are Bradley Hagerman of Pisgah and Eric Freihage of Council

Bluffs.

The DNR charged the men with second degree theft on May 25, 2017.

Government Oversight

(Contact Mackenzie Nading at 1-3440)

Joint Government Oversight Meeting Held to Discuss Foster Care System

Last week the house and the senate met for a Joint Government Oversight Committee meeting. This meeting was focused on understanding the Department of Human Services and how the foster care system and adoption process work. With the Natalie Finn and Sabrina Ray cases both being investigated currently, members were unable to receive information on those specific cases.

This informational meeting aimed to shed light on all parties that are involved in child welfare. The meeting started off with a presentation from Wendy Rickman, Division Administrator of Adult Children and Family Services as well as Vern Armstrong, Division Administrator of Field Operations from DHS. In this overview of DHS, they covered: foster process, adoption process, field investigation process, staffing levels/caseloads, differential response review as well as their third party review. They discussed their reasoning behind selecting the

specific group for their third party review on how they have reputation on being an autonomous reporter and that DHS will not be in charge of this review at all outside of handling the contract with this group.

Following the presentation and question session with DHS, county attorneys gave a presentation on the judicial process overview and what their roles are in these types of child welfare cases. They discussed their relationship with DHS as well as the process of reviewing intake reports and child abuse assessments. There was also a presentation given by District Associate Judge Colin J. Witt in which he discussed how the trial process works as well as what areas are taken into consideration when discussing where a child shall be placed. Due to federal guidelines, there is a timeline of 18 months to decide where a child will go and Judge Witt noted that in a lot of instances; placement with family members is chosen over foster-care.

The rest of the meeting consisted of testimonies from Sheriff Steve Hoffman of Marshall County and Police Chief Jeff Hanson of Spirit Lake Police Department and finally Scott Woodruff from Home School Legal Defense Association. During the law enforcement process overview portion of the meeting, they stressed they have a good relationship with DHS but they occasionally disagree with cases that are declined from centralized intake.

While DHS was able to answer many of the legislators’ questions, there were still some questions that they needed to gather data and statistics for and they are still in the process of gathering that information. They will be providing legislators with those answers once that information is compiled. As of right now, no further meetings have been scheduled.

Veterans Affairs

(Contact Kristi Kielhorn at 2-5290)

Cherokee and Pottawattamie Counties become 48th and 49th Home Base Iowa Communities

Last month, two Iowa counties joined many others in becoming Home Base Iowa Communities. Home Base Iowa Communities focus on bringing military veterans to Iowa by assisting them in finding good jobs. The newest communities to join in are Cherokee and Pottawattamie Counties.

The requirements in order to become a Home Base Iowa Community are:

- Ten percent of the businesses in the designated area become Home Base Iowa Businesses.
- The community develops its own welcome/incentive package for veterans.
- The community prominently displays the Home Base Iowa Community designation.

- The community obtains a resolution of support from the appropriate local governing body.

Both Cherokee County and Pottawattamie Counties have met or exceeded these requirements.

Home Base Iowa is a non-profit, private-public partnership focused on recruiting veterans and active duty service members for quality, well-paying, private-sector jobs in Iowa. The Home Base Iowa Act provides the following incentives:

- Military Pension Income Tax Exemption
- Permissive Veterans Hiring Preference
- Military Homeownership Assistance

Program

- Higher Education Incentives

The initiative is currently co-chaired by Veterans Congressman Leonard Boswell and former Casey's CEO Bob Meyers. To learn more about Home Base Iowa, visit HomeBaseIowa.gov.

Ways & Means

(Contact Kristi Kielhorn at 2-5290)

Iowa's Research Activities Tax Credit

This week's article will cover the Research Activities Tax Credit. It will touch on a few details about the credit, where else it is available, as well as some of the fiscal impacts of the credit.

Iowa's Research Activities Tax Credit (RAC) has been around since 1985 and is a tax credit for the increases in qualifying expenditures associated with research conducted in Iowa. The credit can be applied toward corporate, individual, or fiduciary tax. The credit is based on the federal research tax credit and is refundable for Iowa purposes (see first interim article for an explanation of refundability). The federal research tax credit is a 20 percent, nonrefundable tax credit.

There are two ways to calculate the RAC, but the credit is basically a percentage of Iowa's apportioned share of qualifying ex-

pensures for research activities. The Iowa credit is based on the ratio of Iowa research expenditures over total research expenditures. Additionally—the Iowa Economic Development Authority can award a supplemental RAC to companies that are utilizing the High Quality Jobs Program.

There are 35 other states that have some type of research tax credit. They vary greatly in how lucrative they are. Some states have caps or limit the credit's availability to only certain industries. Iowa is one of eight states that have a research credit that is broadly refundable.

At last December's Tax Expenditure Committee meeting, the Department of Revenue reported that in 2014 (most recent complete data), there were 494 entities that claimed the credit. This equaled a dollar amount of \$56.53 million in credit. That year, IEDA

handed out another \$8.22 million in supplemental awards for a total refundable RAC of \$64.75 million. Fast forward to the estimated cost of the RAC and supplemental for Fiscal Year 2018 and that number grows to \$69.38.

The full presentation by the Department on the RAC can be found here: <https://www.legis.iowa.gov/docs/publications/IH/850327.pdf>. That document contains much more detail (mostly in graph form) on the breakdown of how the credit is claimed.

For the next newsletter article I plan to continue diving into some of the larger and more notable tax credits and provide information on how they work, how much they cost, and what types of people or businesses receive them.