Refresher on Expenditure Limitation Law

The primary goal of the 99% Expenditure Limitation Law is to ensure that lawmakers enact a balanced budget and build sufficient cash reserves for cash flow and emergency purposes without exceeding General Fund revenues. There are three steps in calculating the expenditure limitation:

**STEP ONE - REVENUE** - The base revenue estimate *(On-going Revenue)* adopted by the REC is multiplied by 99.0%.

**STEP TWO – REVENUE ADJUSTMENTS** - The accounting for revenue adjustments is a multi-step process:
- Estimates of new revenue enacted by the General Assembly that were not included in the REC estimate are multiplied by 95.0%.
- All estimated revenue decreases enacted by the General Assembly that were not included in the REC estimate are applied at 100.0%.
- Estimates of new revenue that are not enacted by the General Assembly and not included in the REC estimate are multiplied by 99.0%.

**STEP THREE - ENDING BALANCE TRANSFER** – Any excess funds carried forward from the prior year’s General Fund surplus after filling the state’s reserve funds *(Ending Balance)* are added to the expenditure limitation at 100.0%. This would be the figure after filling the Cash Reserve Fund and the Economic Emergency Fund. It would also be after paying what is due for performance of duty requirements, related to disaster assistance.

This is how it works for Fiscal Year 2017:

**STEP ONE - Revenue**
The Revenue Estimating Conference’s March estimate is multiplied by 99.0%.

<table>
<thead>
<tr>
<th></th>
<th>REC Forecast</th>
<th>Expenditure Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARCH REC ESTIMATE</td>
<td>7357.4</td>
<td>7283.8</td>
</tr>
</tbody>
</table>

**STEP TWO - Revenue Adjustments**
The adjustments adopted by the Legislature or expected to be part of the FY 2017 budget:

<table>
<thead>
<tr>
<th>Actual Amount</th>
<th>% Applied</th>
<th>Expenditure Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRC Coupling</td>
<td>23.6</td>
<td>22.4</td>
</tr>
<tr>
<td>DIA Food Inspection Fees</td>
<td>- 0.7</td>
<td>- 0.7</td>
</tr>
<tr>
<td><strong>STEP TWO TOTAL</strong></td>
<td><strong>22.9</strong></td>
<td><strong>21.7</strong></td>
</tr>
</tbody>
</table>

**STEP THREE - Ending Balance Transfer**
The amount estimated by the Legislative Services Agency is after funds necessary to fill the two reserve funds to their statutory level and paying the state’s Performance of Duty requirements for disaster relief.

<table>
<thead>
<tr>
<th>Actual</th>
<th>Expenditure Limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STEP ONE</strong> – Revenue</td>
<td>7357.4</td>
</tr>
<tr>
<td><strong>STEP TWO</strong> – Adjustments</td>
<td>22.9</td>
</tr>
<tr>
<td><strong>STEP THREE</strong> – Ending Balance Transfer</td>
<td>45.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>7425.8</strong></td>
</tr>
</tbody>
</table>

Using these figures, the state could spend $7.3510 billion in FY 2017 under the Expenditure Limitation Law.
Now that the tax coupling gridlock has been resolved, an agreement between the House and Senate over setting SSA was reached this week. If you recall, Senate File 174 and 175 (Regular school funding and Categorical school funding) were thrown into conference committee on January 28th.

Last week the new March revenue estimate was released and on the heels – an SSA agreement of 2.25% per pupil increase ($6,446 to $6,591), falling in the middle of earlier proposals. At the table for discussion was the Senate’s proposed 4% increase ($6,704) and the House’s proposed 2% increase ($6,575). The Governor’s proposal earlier this year was for 2.45% ($6,604). In total, state commitment looks like this:

<table>
<thead>
<tr>
<th></th>
<th>2% - House Passed</th>
<th>2.25% - Tentative Agreement</th>
<th>2.45% - Gov Proposal</th>
<th>4% - Senate Passed</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Aid</td>
<td>$80.9 million</td>
<td>$90.2 million</td>
<td>$97.8 million</td>
<td>$154.7 million</td>
</tr>
<tr>
<td>Teacher Leadership</td>
<td>$53.0 million</td>
<td>$53.3 million</td>
<td>$53.4 million</td>
<td>$55.0 million</td>
</tr>
<tr>
<td>Property Tax Replacement</td>
<td>$9.2 million</td>
<td>$10.3 million</td>
<td>$10.9 million</td>
<td>$18.2 million</td>
</tr>
<tr>
<td>Total State Aid Increase</td>
<td>$143.1 million</td>
<td>$153.8 million</td>
<td>$162.1 million</td>
<td>$227.9 million</td>
</tr>
</tbody>
</table>

Additionally on the table for discussion were priority items for school districts in upcoming years, specifically funding to help pay for newly-mandated statewide assessments and for required summer reading programs as part of the Early Literacy Initiative. The assessment costs range anywhere from $8.3 to 9.3 million and summer reading ranges anywhere from about $6 million to $9 million. Both of these items were rejected by the Senate Democrats who preferred to discuss them as part of the Education Appropriations bill later this year. The Ed Approps bill funds the universities, community colleges, grant and loan programs, and the Department of Education, among other things.

Under the 2.25% agreement, schools will see an additional $153.8 million next year. Combined with funding increases over the past 5 years, this will total nearly $660 million in increased funding:

<table>
<thead>
<tr>
<th>Fiscal Year (school year)</th>
<th>Percent Growth</th>
<th>State Cost Per Pupil</th>
<th>State Spending Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12 (11/12)</td>
<td>0%</td>
<td>$5883</td>
<td>$178 million</td>
</tr>
<tr>
<td>FY13 (12/13)</td>
<td>2%</td>
<td>$6001</td>
<td>$30 million</td>
</tr>
<tr>
<td>FY14 (13/14)</td>
<td>2% + 2% one-time</td>
<td>$6121</td>
<td>$65 million + $57 million</td>
</tr>
<tr>
<td>FY15 (14/15)</td>
<td>4%</td>
<td>$6366</td>
<td>$148 million</td>
</tr>
<tr>
<td>FY16 (15/16)</td>
<td>1.25%</td>
<td>$6446</td>
<td>$84.8 million*</td>
</tr>
<tr>
<td>FY17 (16/17)</td>
<td>2.25%</td>
<td>$6591</td>
<td>$153.8 million*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>6-yr total increase</strong> $659.6 million + $57 million</td>
</tr>
</tbody>
</table>

Both the FY16 and FY17 appropriations include funding for the Teacher Leadership Compensation (TLC) program. FY16 was a $50.2 million increase for the program, and FY17 includes a $53.3 million increase for the program. An additional $50 million increase will occur in the Education Appropriations bill that has yet to be crafted. It will then transfer over and show up as an increase in the school funding formula in FY18. The total for the TLC program is now fully realized at over $150 million.

The Conference Committee report passed with overwhelming bipartisan support in the Senate by a vote of 44-6 for SF 174 and 46-4 for SF 175. Both bill passed the House on a straight party line vote of 55-41. Funding for K-12 education will now head to the Governor’s desk for his consideration.
This week, a subcommittee of the Government Oversight Committee was held on HSB 640. The bill puts into place regulations addressing the Rock Island Clean Line project. The Clean Line itself is a 500-mile overhead high voltage direct current transmission line that will deliver in excess of 3,500 megawatts of wind power. When in place, the privately-owned transmission line will sell the wind energy to consumers in Illinois and beyond. The company stresses the energy is a clean and renewable source, but opponents argue the project has no benefit to Iowa once built.

The company received federal approval in May 2012, allowing the company to negotiate rates and enter into contracts with customers for the project. It received approval from Illinois in November 2014, which granted the company a Certificate of Convenience and Necessity to operate the line. The company first filed its petition to request approval for the line to go through Iowa with the IUB in November 2014 but has made little progress since. The company has held the statutorily required informational meetings in all of the 16 counties and has unsuccessfully requested bifurcation hearings. The third and most recent rejection came from the IUB in early January of this year, which was passed unanimously 3-0. The ruling essentially sent the company and the entire process into a state of limbo as it sorts out procedural issues.

The majority of Iowans involved (property owners within the state) are opposed to its existence as it would force a large condemnation of private property for it to be constructed. It is no secret that Representative Kaufmann has been interested in the Rock Island Clean Line for several sessions, and has introduced different versions of the same bill with the end goal being to stop the Rock Island Clean Line. Representative Kaufmann began the subcommittee by stating HSB 640, as introduced, is going to change. As it reads, the bill includes definitions for bifurcation and merchant line, which narrowly applies to the Rock Island Clean Project alone. The bill includes a retroactive portion to go back to projects that began in November 2014, as well as a list of prohibitions for companies introducing such a project in Iowa:

- A company can only request bifurcation from the IUB twice
- Those who serve on a local board, at either city or county level, are prohibited from being involved in constructing such a line
- Judicial transfer
- A company requesting eminent domain powers must show some progress with the project within 2 years; it cannot stop and start the process whenever it deems fit
- A company will have to file a surety bond, equaling 15% of the total project cost, and that company will be liable for any and all damages which may be caused by the project
- Any labor used on the line must be provided by Iowa residents

The bill passed subcommittee and Representative Kaufmann stated he is willing to work with all parties who have concerns. Due to the large nature of the project, the fact that only 13% of the properties have actually entered into easement agreements with the Clean Line, and because the current process remains in a constant pause causing uncertainty for Iowa landowners, this bill remains a priority.
This year, five bills supporting the Second Amendment passed the House and were sent to the Senate for their consideration. The hope was that the Senate would consider the merits of each bill singularly, instead of taking the single gun omnibus bill approach like last year. Of those five that were sent over, two did not survive second funnel:

- HF 2281 dealing with age restrictions and firearms possession
- HF 2280 that would have prevented the government from seizing firearms in a State of Emergency

Two other 2nd Amendment bills passed the Senate and have been sent to the Governor for his signature:

- **HF 2279 which legalizes sound suppressors**
  House File 2279 allows Iowans to legally own and use sound suppressors. Under current law, suppressors are mischaracterized as offensive weapons and banned in the state, even though federal law has no such ban. Iowa will be joining 41 other states that allow their citizens to possess a sound suppressor. The Senate is now in agreement with the House that under this bill sound suppressors can be legally owned and used in Iowa, if a person qualifies under federal law. In order to possess a suppressor a person must:
    - Be a resident of the United States
    - Be legally eligible to purchase a firearm
    - Pass an extensive BATFE background check.
    - Pay a one-time $200 Transfer Tax fee per suppressor
    - Be at least 21 to purchase a suppressor from a dealer

- **HF 2283 which allows law abiding Iowans to carry a firearm on their ATV or Snowmobile**
  Under current law, a person is prohibited from operating or riding an all-terrain vehicle or snowmobile with a firearm unless the firearm is unloaded and in a case. (Non-ambulatory people may carry an uncased and unloaded firearm while on either of these vehicles.) The Senate modified the original bill that passed the House to allow a person riding an ATV or snowmobile (on their own land) to carry a loaded firearm and they are not required to have a permit to carry weapons. A person riding an ATV or snowmobile on land they do not own, must possess their permit to carry weapons and must carry their pistol or revolver in a secured retention holster. (Firing a weapon from an ATV or snowmobile is still prohibited unless the person is non-ambulatory.)

The fifth bill is currently being worked over by the Senate:

- HF 2314 dealing with firearms permits, privacy and permitting procedures

Legislators that advocate for strengthened Second Amendment rights remain hopeful that the Senate will pass a bill supporting Iowans privacy and updating procedures for firearms permits.
Water Quality Efforts

The Iowa Water Quality Initiative was established in 2013 to help implement the Nutrient Reduction Strategy - a science and technology based approach to achieving a 45 percent reduction in nitrogen and phosphorus losses to our waters. The strategy brings together both point sources, such as municipal wastewater treatment plants and industrial facilities, and nonpoint sources, including farm fields and urban storm water runoff, to address these issues.

The initiative seeks to harness the collective ability of both private and public resources and organizations to deliver a clear and consistent message to stakeholders to reduce nutrient loss and improve water quality.

Iowa Department of Agriculture and Land Stewardship (IDALS) issued a press release this week to announce that 13 urban conservation water quality initiative demonstration projects have been selected to receive $978,149 in funding. In addition to the state funds, the 13 projects will provide over $2.59 million in matching funds to support water quality improvement efforts as well as other in-kind contributions. The communities participating in the projects are Amana, Ankeny, Arnolds Park, Bloomfield, Cedar Rapids (two locations), Davenport, Des Moines (two locations), Lake View, Sioux City, Storm Lake and West Des Moines.

In addition to these 13 new projects, 32 existing demonstration projects are currently located across the state to help implement and demonstrate water quality practices. This includes 16 targeted watershed projects, 7 projects focused on expanding the use and innovative delivery of water quality practices and 9 existing urban water quality demonstration projects. More than 100 organizations are participating in these projects. These partners will provide $19.31 million to go with over $12 million in state funding financing these projects.

More than $325 million in state and federal funds have been directed to programs with water quality benefits in Iowa last year. This total does not include the cost share amount that farmers pay to match state and federal programs and funds spent to build practices built without government assistance. Due to initial cost-share programs and increased awareness driven to the ag community, many farmers are voluntarily stepping up to continue water quality efforts on their own farms or farms they rent in order to reduce water contaminants.

The next focus is on urban buy-in, as many homeowners and business put chemicals on their lawns that end up downstream. The new urban projects will focus on conservation measures that capture and allow storm water to be absorbed into the ground and reduce a property's contribution to water quality degradation, stream flows and flooding. They also include partnerships and outreach/education components to disseminate information to promote increased awareness and adoption of available practices and technologies for achieving reductions in nutrient loads to surface waters.

Practices that will be installed as part of these projects include bioretention cells, bioswales, native landscaping, permeable pavement, rain gardens, sedimentation basins, soil quality restoration, wetlands and other practices. A bioreactor and saturated buffer system will also be installed to demonstrate potential nutrient reduction benefits in an urban storm water runoff environment. More information about these and other urban water quality practices can be found at www.cleanwateriowa.org/residential-practices.aspx.

IDALS received 32 pre-applications for this funding after it was announced last fall and fifteen projects were invited to submit full proposals. Thirteen projects were selected to receive funding through the Water Quality Initiative. This is the second time that urban conservation projects have been funded through the Water Quality Initiative and there are currently nine urban demonstration projects in place. Folks are beginning to wake up to the fact that the EPA is watching Iowa closely and if we do not show improvements in our water, the EPA will step in to mandate changes.
Spring weather in Iowa is often temperamental. Don’t be caught off-guard if the weather turns destructive. Below are tips from the Emergency Management folks on how to prepare. As they say, a bird in the hand is worth two in the bush!

Your emergency supply kit can be kept handy in sealed plastic boxes or in unused garbage cans.

- Water – stored in plastic jugs, plan on 1 gallon per day per person and don’t forget pets.
- Light sources – battery-powered lanterns or flashlights & fresh batteries
- Communication devices – battery-powered radio, NOAA weather radio, cell phone, whistle
- Tools – fire extinguisher, shovels, wrenches (to shut off utilities)
- Blankets and extra clothing
- Children items – diapers, formula, puzzles, books, games, etc
- Nonperishable food – canned meats, vegetables, fruits, juices + nonelectric can opener and pet food
- First-aid kit – bandages, pain relievers, thermometer, antiseptic wipes, prescription medicines
- Records – proofs of ownership for insurance claims, supply of cash, copies of important documents

For more information, visit: www.beready.iowa.gov
In recognition of Dixie Gebhardt as Iowa’s flag designer, Governor Branstad signed a proclamation in his formal office on Monday, March 21 stating that March 27 – April 2 is designated as Dixie Cornell Gebhardt Week. In addition, the Proclamation affirmed March 29, 2016 as Iowa State Flag Day.

Those in attendance at the signing were: (L) Mary Spurgeon – Knoxville Chamber Executive Assistant, Roslin Thompson – Knoxville Library Director, Brian Hatch – Knoxville Mayor, Ben Butler – Knoxville Chamber President, myself, Evan Sinclair standing in for Sen. Amy Sinclair, T. Waldmann-Williams – Knoxville Chamber Government Relations Chair, and Aaron Adams – Assistant City Manager. Dr. Bob Leonard of KNIA/KRLS was also in attendance to cover the signing.

After the signing, Governor Branstad gave an impromptu tour of Lt. Governor Reynolds’ formal office where she has a portrait of Dixie Gebhardt overlooking her desk.

To bring awareness to Iowa Flag Day, I have posted a sheet at the Knoxville Library for folks to sign-up from March 28 - April 1 to purchase an Iowa flag flown over the State Capitol for $29. The proceeds will go to the library expansion project.

The Knoxville Library will be holding a couple of events on March 29 in their meeting room upstairs with Guest Speaker Dan Kaercher of IPTV. At 3:30 pm, a program for kids called “Amazing! Awesome! Iowa!” will begin. Kids will also have a chance to answer Iowa trivia questions for prizes and snacks will be available.

At 6 pm a teen/adult program – Iowa’s Hidden Treasurers – will begin. During the hour between 6 and 7 pm, there will be a silent pie auction for freshly-made pies and certificates for take-and-bake pies from the Monroe Pie Lady. The proceeds will benefit the library expansion project. Come show your Iowa Pride!!!
After the Governor’s Proclamation signing for Iowa State Flag Day, T. Waldmann-Williams and Ben Butler took a trip to the top of the dome of the Capitol. This was the first time I was up there this year. The view is always amazing!

Pastor Dave Tyree of Chariton and granddaughter Abby from Pleasantville were at the Capitol on Thursday, visiting with several Southern Iowa pastors.

During Session, I hold weekly town hall meetings around the District:

- April 1st:  6:30 am – D & S Cafe in Melcher-Dallas
- 10:00 am – Two Rivers Coop in Otley
- 7 pm – Coffee Cup Cafe in Sully

If you are unable to attend a forum, you are always welcome to contact me at 641-218-0185 or greg.heartsill@legis.iowa.gov.

If you have a group that is coming to the Capitol, please let me know so that I am able to arrange some time to visit with you and arrange a tour. If you would like to watch us online in the House Chamber, please go to: http://www.legis.state.ia.us/dashboard?view=videoLive&chamber=H

Please share this newsletter with those that might be interested and/or send me email addresses of those that wish to be added to my newsletter list.

It is a great honor to represent you in Iowa House District 28. Happy Easter weekend!