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Agriculture

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Public Safety



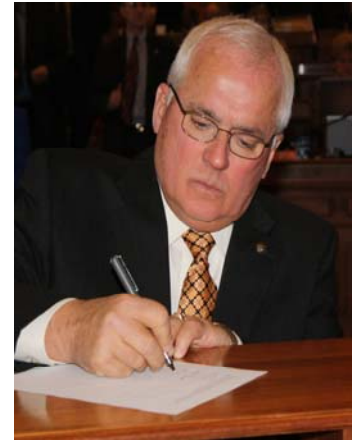
House of Representatives

State of Iowa

Eighty-Third General Assembly

STATEHOUSE

Des Moines, Iowa 50319



OLSON'S OBSERVATIONS

This is my fourth year serving on the Joint Oversight Committee. One of the committee's responsibilities is to look into misuse of Iowa funds or a wrong doing by a state governmental agency. In other words, we deal with Iowa's scandals. Many of you remember me writing three years ago about the CIETC scandal and last year about the Henry Turkey Service bunkhouse in Atalissa. The newest scandal before the Oversight Committee is the Iowa Association of School Boards' misuse of public funding. There are several similarities between this scandal and the CIETC scandal. There is accusation of misuse of credit cards, nepotism, high salaries, and lack of oversight on the part of the board itself. Even the federal government has announced that they are doing an inquiry for the misuse of federal funds.

Iowa Association of School Boards (IASB) is a publicly funded private association that represents and provides services to member school boards. All 361 school districts in Iowa belong to the association paying dues from \$726 to \$10,366, based on the school district enrollment. In addition, IASB receives more than \$2 million in government grants each year and about \$3 million for services to schools for conferences, consulting and cash-management programs.

IASB is supposed to be the "go-to" place for financial advice and guidance for schools. A lot of red flags have been raised regarding the IASB including the following allegations:

- The organization's former financial officer used his association credit card to buy airline tickets for a vacation to Bora Bora;
- Executives intentionally misled board members about investing in a potential multi-million dollar business deal;
- The transfer of \$5 million from the organization to a private business (Local Government Services) operated by an IASB executive; and
- Inflated executive salaries, for instance Executive Director Maxine Kilcrease contract was revised to increase her salary from \$210,000 to \$367,000.

The association's attorney, Nolden Gentry, spoke before the Joint Oversight Committee on Tuesday and explained that IASB executives kept the board in the dark regarding the association

audit. Since this scandal has come to light, the board President Jack Hill and executive director Kilcrease are on a leave of absence. The Iowa Senate on Tuesday passed unanimously [SF 2376](#), which would force IASB to comply with Iowa's open-meetings and open records laws. The Joint Oversight Committee will continue to ask hard questions of IASB, but I anticipate this will be eventually transferred to our court system. The immediate impact of this scandal will be the unavailability of financial guidance and funds for our school systems due to no fault of their own.

On Tuesday, the House passed [HF 2525](#), the Ag and Natural Resources appropriation bill. I am very disappointed in this bill. I know at this time we must all make sacrifices for the good of the whole, but agriculture has been taking a big hit. Ag and Natural Resources budget makes up less than 1% of the state budget. When we think of Iowa, we think of our prime farm land and the large part agriculture plays in the economy, evidently some in the legislature do not.

Another bill waiting to be debated is [HF 2527](#), a comprehensive tax credit reform proposal. The bulk of the bill simply eliminates several tax credit programs and cuts others. Some argue that this reduces the state's "tax credit liability." If the state's "tax credit liability" is going down, then affected Iowans' tax liability is going up. The bottom line is, under this proposal, taxes for some taxpayers will be increased because they will no longer qualify for the credits which they received in previous tax years.

Another significant highlight of [HF 2527](#) is that it reinstates the Iowa Death (estate) Tax if Congress does not extend the prohibition of the Federal Death Tax. Prior to 2001, the federal government heavily taxed estates when the owner of the estate died and transferred the estate to their children or anyone other than a spouse or charitable organization. When the Federal Death Tax was imposed, States had the ability to "pick-up" a portion of the tax. The states were not able to tax on top of the federal tax; they were only able to capture a portion of the federal tax.

If Congress does not act to extend the prohibition on the death tax this year, it will be reinstated January 1, 2011, using the tax rates in effect for the 2001 year. As a result, [HF 2527](#) puts Iowa's "pick-up" tax back on the books so the state can begin collecting its portion of the federal death tax. The Iowa Department of Revenue estimates this will generate approximately \$40 million per year. Needless to say, if enacted, this would greatly affect many Iowans' estate planning.

Congratulations to the Calamus-Wheatland Boys' basketball team, Ryan Powers, and their fans on their fine showing at the State Tournament.

Always feel free to contact me on any issue before the Iowa Legislature. I can be reached at 515/281-6055 during the week or by e-mail at steven.olson@legis.state.ia.us.