

## Tax Reform

Comprehensive reform of Iowa's income tax system did not take the form of a filed bill, however considerable work was done within both the House and Senate Ways and Means Committees to develop a plan that will likely result in a bill for the 2018 session.

## Quality of Life

### Water Quality

**HF 612** was the House measure that focuses on collaboration between landowners, governments, and industry to fix unique issues at the watershed level. The bill converts the sales tax collected on municipal water receipts to an excise tax that can be directed to water quality projects.

**SF 512** was similar to the House version in funding, but its project identification approach differed from the House bill through a less collaborative approach to project identification. Beginning in 2021, the bill also provided for \$15 million annually to the Water Quality Infrastructure Fund from gambling revenues that are currently retiring Vision Iowa bonds.

The Senate passed their bill, which the House replaced with their own language on the floor. The House passed the amended version, but the Senate refused to concur and the measure died by voice vote.

*SF 512 passed 31-19; passed House as amended 79-19; Senate refused to concur by voice vote.*

*Aye: Anderson, Bertrand, Carlin, Hall, Holz, Kacena*

## Public Bargaining

### Chapter 20 Reform

**HF 291** provided for comprehensive reform of Iowa's public sector collective bargaining law, codified in Chapter 20 of Iowa code. The bill largely limits bargaining to base wages and bans negotiation of health insurance, evaluation procedures, staff reductions, and leaves of absence. The bill exempts most public safety bargaining units from the reforms.

*HF 291 passed House 53-47; Passed Senate 29-21; Signed by Governor 2/17/17*

*Aye: Anderson, Bertrand, Carlin, Holz*

*Nay: Hall, Kacena*

## Thank you to our Local Legislators

### Senate District 3

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### Senate District 7

Rick Bertrand  
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### House District 5

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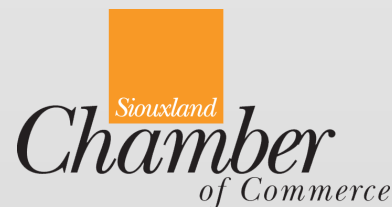
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## 2017 Governing Principles

- We support protection of Iowa's Right to Work laws.
- Economic Development should be a top priority in the state and should include leveraging the benefits of private/public partnerships.
- Continued investment in transportation infrastructure is critical to Iowa's economic development success.
- We support a simplified regulatory and tax climate conducive to making Iowa a more competitive location for attracting business expansion opportunities and fostering business growth.
- We support streamlined governments at all levels that are efficient, cost effective and responsive to business needs.
- We support a fiscally-disciplined approach to state spending, including limiting the growth in state expenditures to a rate that does not exceed the rate of inflation.
- We support a strong preschool through post-secondary education system to ensure that Iowa has a globally-prepared workforce.
- State environmental policies and regulations should be no more stringent than their federal counterparts.

## Budget

Before establishing the FY18 budget, lower than anticipated revenues for FY17 prompted debate and passage of budget bills de-appropriating funds for the remainder of the current fiscal year. The overall general fund budget for FY18 is \$7.297 billion, which represents a net increase of \$9 million or .12% over the adjusted FY17 budget.

### De-appropriations

**SF 130** reset funding levels for FY17 to match the reduction in estimated revenues revised by the Revenue Estimating Conference (REC) at its December 2016 meeting. To cover the current year \$118 million budget gap, \$88.2 million was de-appropriated from state agencies, \$11.5 million was cut through reductions in agency operational expenditures, and \$25 million was transferred from various state funds.

*SF 130 passed Senate 28-19; passed House 58-38; signed by Governor 2/1/17.*

*Aye: Anderson, Bertrand, Carlin, Holz*

*Nay: Hall, Kacena*

### Standing Appropriations—Emergency Funds

**SF 516** is the standing appropriations bill that included \$131 million in transfers from cash reserve to fill a budget gap created by lower than anticipated revenues in the March REC estimates. Overall, FY18 standing appropriations are \$12.2 million lower than FY17, with an anticipated carryover to FY19 of \$76.6 million. SF 516 appropriates \$20 million in FY18 and \$111.1 million in FY19 to refill cash reserves

### Reserves

The overall FY18 budget is \$28.1 million below the expenditure limit with a projected balance of \$106.9 million. Reserves are estimated at \$625.1 million, which is \$112 million below the statutory maximum.

*SF 516 passed Senate 27-13; passed House 55-39; signed by Governor 5/12/17.*

*Aye: Anderson, Carlin, Holz*

*Nay: Hall, Kacena*

*Absent: Bertrand*

## Economic Development

### Economic Development Funding

**SF 513** appropriates \$41.2 million for the Iowa Economic Development Authority (IEDA), Department of Cultural Affairs, Iowa Finance Authority, Iowa Workforce Development (IWD), and several other programs and agencies. IEDA funding is reduced \$1.085 million to \$13.4 million, adding to the \$1.03 million de-appropriated for FY17 in SF 130, totaling \$2.115 million in funding reductions approved this session. By way of comparison, IEDA funding in FY16 was \$15.5 million, whereas FY18 funding is \$13.4 million. IWD funding for FY18 was cut by \$2.2 million to \$15.5 million.

The High Quality Jobs Tax Credit Program received level funding at \$15.9 million. Regents university economic development funding was held level, although the general fund appropriation for Iowa's Small Business Development Centers (\$101,000) was eliminated.

*SF 513 passed Senate 31-19; passed House 57-40; signed by Governor 5/12/17 with line item vetoes.*

*Aye: Anderson, Bertrand, Carlin, Holz*

*Nay: Hall, Kacena*

### Tax Credits

**HF 652** proposed to establish an overall cap on state tax credits and eliminate refundability of credits, resulting in a substantial reduction in funding available for economic development tax credit tools. The bill was vigorously opposed by the Chamber, and while the bill died in committee it is clear that a bill addressing state tax credit programs will be pursued again in 2018.

## Education

### State Penny

**HF 230** called for extending the sunset for the one-cent sales tax for school infrastructure from December 31, 2029 to January 1, 2050. The bill was recommended for approval by subcommittee, but did not receive further consideration in committee.

### Funding & Timing

**SF 166** set the increase in funding for K-12 education, commonly referred to as allowable growth, at 1.1% for the 2017-18 school year. While funding levels for the 2018-19

school year were not set, we applaud the Legislature for setting the 2017-18 funding levels within 30 days of publication of the Governor's budget, as required by state law.

*SF 166 passed Senate 28-21; passed House 55-40; signed by Governor 2/8/17.*

*Aye: Anderson, Bertrand, Carlin, Holz*

*Nay: Kacena*

*Absent/Not Voting: Hall*

## Business Climate

### Workers' Comp Reform

**HF 518** was a comprehensive overhaul of Iowa's workers' compensation system. Key elements include: reducing excessive interest rates on work comp judgements, prohibiting double recovery for injuries, changing the way shoulder injuries are handled, shifting the burden of proof to the employee when an injury may be due to intoxication, and making sure notice of injury is given within a 90-day timeframe. Payments from the Workers' Compensation Fund are reduced by an estimated \$1.8 million annual beginning in FY18. \$50,000 in funding to Iowa Workforce Development, increasing to \$250,000 annually, is approved, and funding for a new training program administered by community colleges for injured workers returning to the workforce is also approved.

*HF 518 passed House 55-38; passed Senate 29-21; signed by Governor 3/31/17.*

*Aye: Anderson, Bertrand, Carlin, Holz*

*Nay: Hall, Kacena*

### Minimum Wage

**HF 295** prohibits county and city governments from setting a minimum wage, thereby placing sole authority to establish a minimum wage with the Legislature. The legislation did not change the state's minimum wage. The bill also prohibits local jurisdictions from establishing local ordinances that exceed state authority in the areas of paid family leave, implementing a soft drink tax, or banning the use of plastic bags.

*HF 295 passed House 56-41; passed Senate 29-21; signed by Governor 3/30/17.*

*Aye: Anderson, Bertrand, Carlin, Holz*

*Nay: Hall, Kacena*