

**Representative
Jeff Kaufmann
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79th District:

Here is my slightly delayed electronic newsletter with a variety of issues and current topics. My fall is still very busy with a wide variety of meetings, community events, and Capitol visits besides teaching and work on the farm.

As usual if you have any comments or questions on state issues do not hesitate to contact me.

Jeff

Strong Revenue Growth Continues in FY 08, Revenue Exceeded by Built-in Spending

On September 4, Fiscal Services released the revenue numbers for the first two months of FY 08. Compared to the first two months of FY 07, revenue growth was 8.8 percent, or \$86 million more than FY 07. This is double the REC estimate of 4.2 percent revenue growth. The growth was primarily due to continued strong growth of personal and corporate income tax receipts.

For the month, personal income tax receipts increased by \$35.6 million, or 8.8 percent compared to FY 07. The strong rate of growth was primarily due to increased income tax withholding. A continued increase in capital gains tax revenue is likely the reason for the large increase.

After growing by 6.9 percent in July, sales and use tax receipts dipped in August, growing by a mere 1.7 percent, or \$6 million. This could be a sign that consumer spending is being impacted by high energy prices, the slowdown in the housing market or both.

Corporate income tax revenue continues to roll in, growing by \$13.9 million or 37.4 percent compared to FY 07. Corporate income tax receipts continued strong growth that began in February 2003. That means the business climate in the state is strong as corporations continue to record strong profit margins.

Cigarette tax revenue was up \$26.4 million or 162 percent compared to the first two month of FY 07. That is above the REC estimate of 80.1 percent growth in cigarette tax revenue for FY 08.

These numbers are proof that Iowa's economy is still running strong. However, according to Fiscal Services, the latest estimate of the built-in spending for FY 09 is over \$600 million. When anticipated increases for Regents, community colleges, private colleges, etc. are factored in, the number approaches \$700 million. Even if revenue were to grow by 8 or 9 percent for the entire year (which is very unlikely), that would still leave ongoing revenue short of the built-in spending.

Despite strong revenue growth, the Legislature must try to align ongoing spending with ongoing revenue. If that does not happen and the economy experiences a downturn, there will be a gap between spending and revenue that would be needed to made up with either drastic spending cuts or massive tax increases.

Other states wrestle with Health Care coverage

As the Commission on Affordable Health Care Coverage for Iowa Families and Small Businesses continues to journey around the state in search of a health care plan, it may be helpful to look at how other states are addressing the question of health care coverage for their citizens.

In Colorado, the Blue Ribbon Commission for Healthcare Reform was created in 2006 to do essentially the same thing. The 18 member panel, comprised of consumers, purchasers and experts/business leaders, began its work in November of 2006 with a report required in January 2008. Currently this group is working feverishly to complete their options for submission to a consultant for actuarial evaluation by the end of this month.

With a budget of \$100,000 and \$65,000 in matching funds, the Colorado group sought out plans from interested parties for analysis. This summer, four plans were presented. These include:

- ?? A single-payer system which would be partially financed with new payroll taxes on employers, a tripling of Colorado's income tax, and additional federal funding;
- ?? Establishing a basic benefit package through a large insurance pool with a \$50,000 cap on benefits. This plan would have no mandated coverage.
- ?? Imposing a requirement that all Coloradans to have health insurance.
- ?? Placing mandates on individuals and employers to provide coverage or pay an assessment.

Since no consensus choice has emerged from the four plans, the Blue Ribbon Commission is creating a fifth option which is reportedly similar to the Massachusetts healthcare plan passed in 2006.

All of these plans will be submitted to a national healthcare consulting firm, the Lewin Group, for analysis. Once this group reports their findings back to the Commission, the task force will make their recommendation to Colorado Governor Bill Ritter and the Colorado Legislature in January.

Credit Freezes – The Next Step in Identity Theft Protections?

Continuing a trend that began in California in 2001, thirty states and the District of Columbia have now implemented a way for their citizens who are victims of identity theft to fight back. Credit freezes allow citizens to prevent identity thieves from establishing new lines of credit. Proponents of the credit freeze concept claim that the process gives consumers more control over their credit history and allows them to control who has access to this sensitive data. Those opposed to the freezes say it does nothing to prevent identity theft and can serve as an impediment to obtaining new credit or getting a job requiring security clearance.

This concept has started to generate discussion in Iowa, so here is brief explanation of a credit freeze and how it works.

What is a credit freeze? A credit freeze restricts a credit reporting agency from releasing an individual's credit report or any information from the report without authorization from the individual. Who can implement a credit freeze varies from state to state. Some states limit this to victims of identity theft, while others make it available to all citizens.

How does this stop identity theft? Since the freeze prevents the establishment of new credit lines for a person, the perpetrators of identity theft are stopped from drawing additional funds against the person. The freeze also helps to identify when the perpetrators are trying to obtain the credit and locate them as well.

How does a credit freeze work? The process for implementing a credit freeze is pretty similar between states with credit freeze laws. To place a credit freeze, the eligible person must write to each of the three credit bureaus. They must provide identifying information. For example, in California, identity theft victims are required to provide a copy of their police report of identity theft to the credit bureaus. Californians who are not victims of identity theft are required to pay a fee of \$10 to each of the credit bureaus for the freeze. The fee amount varies between the states.

Can a person open new credit accounts if my files are frozen? Yes. If a person wants to open a new credit account or get a new loan, they can lift or “thaw” the credit freeze on their file. Each state has different rules on how lifting the freeze occurs and how long it is up. Some states require people to submit a written request, while others allow this request to be done electronically or over the phone. States also vary on the amount of time in which a credit reporting agency has to lift the freeze (30 minutes to several days) and the fee that can be charged for this service.

Can a creditor get a person’s credit score if their file is frozen? No. A creditor who requests a file from one of the three credit bureaus will only get a message or a code indicating that the file is frozen.

Will a credit freeze lower a person’s credit score? No

Can a person get a copy of their own credit report if their file is frozen? Yes. A person still has the right to examine their own credit report even if a credit freeze is in place.

Can anyone see a person’s credit file if they have had it frozen? When a person has a security freeze on their credit file, certain entities still have access to it. States still allow a credit report to be released to a person’s existing creditors or to collection agencies acting on their behalf. They can use it to review or collect on that individual’s account. Other creditors may also use the information to make offers of credit - unless the person has already opted out of receiving such offers. Government agencies may also have access for collecting child support payments or taxes or for investigating Medicaid or welfare fraud. Government agencies may also have access in response to a court or administrative order, a subpoena, or a search warrant.

Iowa Judge Throws Out Marriage Law

On August 30, Judge Robert Hanson of Polk County struck down Iowa’s Defense of Marriage Act (DOMA), stating that it was unconstitutional. Ironically, when the DOMA constitutional amendment was debated in 2005, the supporters predicted this very thing happening in explaining the need for amending the constitution. Hanson’s ruling proved that the supporters of DOMA were right to push for the amendment.

The codified DOMA, House File 382, was approved on April 6, 1998 on an 89-10 vote.

During the 2005 session, the House approved HJR 1. The resolution proposed to amend the Iowa Constitution to provide that only a marriage between a man and a woman will be recognized in Iowa. In addition, the proposed amendment prohibits the State or any political subdivision from creating or recognizing a legal status identical or similar to that of marriage for unmarried persons.

HJR was approved on a 54-44 vote. The primary argument used by other opponents in the debate was that the amendment was unnecessary because the state already had a codified DOMA law.

History of the Defense of Marriage Act

In November 2003, the Massachusetts Supreme Judicial Court ruled that barring same-sex couples from civil marriage was unconstitutional. The Senate then asked the Court for an advisory opinion on the constitutionality of a proposed law that would bar same-sex couples from civil marriage but would create civil unions as a parallel institution, with all the same benefits, protections and rights.

In February, the Court answered, "segregating same-sex unions from opposite-sex unions cannot possibly be held rationally to advance or preserve" the governmental aim of encouraging "stable adult relationships for the good of the individual and of the community, especially its children." Under this decision, the state of Massachusetts began issuing marriage licenses to same sex couples in May 2004.

This ruling was one of the latest developments in the larger public discussion of "marriage" and "family" that started in 1993 when the Hawaii Supreme Court ruled that laws denying same-sex couples the right to marry violated state

constitutional equal protection rights. Voters adopted a Constitutional amendment in 1998, giving the Legislature the power to limit marriage to opposite-sex couples.

In April 2000, Vermont approved legislation to recognize civil unions between same-sex couples, granting them virtually all the benefits, protections and responsibilities that married couples have under Vermont law. The Vermont legislation was a result of the state Supreme Court ruling in *Baker v. Vermont* that said same-sex couples are entitled, under the state constitution's "Common Benefits Clause," to the same benefits and protections as married opposite-sex couples. The court ruled that the Vermont Legislature must decide how to provide these benefits and protections, either by legalizing marriage for same-sex couples or by establishing an alternative system.

The Vermont Legislature chose to preserve marriage as the "legally recognized union of one man and one woman," but at the same time create a parallel system of civil unions for same-sex couples that go beyond existing "domestic partnership" and "reciprocal beneficiaries" laws that exist in California and Hawaii and in many localities in the United States today.

Congress enacted the Defense of Marriage Act (DOMA) in 1996, which bars federal recognition of same-sex marriages and allows states to do the same. Since 1996, thirty-nine states have enacted legislation prohibiting same-sex marriages or the recognition of same-sex marriages formed in another jurisdiction. States have traditionally recognized marriages solemnized in other states, even those that go against the marriage laws of that particular state. Under the full faith and credit clause of the U.S. Constitution, states are generally required to recognize and honor the public laws of other states, unless those laws are contrary to the strong public policy of that state.

There are several proposals before Congress to amend the federal Constitution, defining marriage as between a man and a woman and ensuring that states would not be required to recognize same-sex marriages from other jurisdictions. Many states are also moving to amend their state constitutions. Although nearly every state has a statutory Defense of Marriage Act, constitutional amendments are needed to prevent judges from invalidating these laws. Several lawsuits are pending throughout the country seeking resolution to this issue.

Forty-two states currently have statutory Defense of Marriage Acts, including Iowa. Three of those states have statutory language that pre-dates DOMA (enacted before 1996) defining marriage as between a man and a woman. Seventeen states have defined marriage in their constitutions.

States with Statutes Defining Marriage	States with Constitutional Language Defining Marriage	States with Neither
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Delaware, Florida., Georgia, Hawaii, Idaho, Illinois, Indiana Iowa, Kansas, Kentucky, Louisiana, Maine Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska Nevada, New Hampshire, North Carolina North Dakota, Ohio, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia Wyoming	Alaska, Arkansas, Georgia Hawaii, Kentucky, Louisiana Michigan, Mississippi, Missouri, Montana, Nebraska Nevada, North Dakota, Ohio Oklahoma, Oregon (Const. only, no statute), Utah	Connecticut Massachusetts New Jersey New Mexico New York Rhode Island Wisconsin
TOTALS: 42	17	7

In November 2004, DOMA constitutional amendments were approved in thirteen states. Below are those states and the corresponding approval percentage of yes votes the amendment received:

Arkansas – 75 percent
Kentucky – 75 percent
Michigan – 59 percent
Missouri – 71 percent
North Dakota – 73 percent
Oklahoma – 76 percent
Utah – 66 percent

Georgia – 77 percent
Louisiana – 78 percent
Mississippi – 86 percent
Montana – 66 percent
Ohio – 62 percent
Oregon – 58 percent

Iowa’s Economic Development Financial Assistance Programs

The Iowa Values Fund (IVF) is the 10-year economic development program designed to transform Iowa's economy by creating high quality jobs through business development and expansion across Iowa. With a \$35 million dollar annual appropriation for business development and marketing, the IVF assists Iowa companies to expand, as well as attract new businesses to the state. Through the Iowa Values Fund, a variety of business development programs available:

- ?? Community Economic Betterment Account (CEBA)/Economic Development Set-Aside (EDSA). These programs provides financial assistance to companies that create new quality employment opportunities and/or retain existing jobs, and make new capital investment in Iowa. The EDSA program is targeted toward low- and moderate-income individuals.
- ?? Loan and Credit Guarantee Fund. This program is designed to assist that might not have access to conventional financing. The fund provides lenders with additional security, thereby encouraging greater lender activity to Iowa business
- ?? Value-Added Agricultural Products and Processes Financial Assistance Program (VAAPFAP). This program seeks to increase the innovative utilization of Iowa’s agricultural commodities

Entrepreneurial Assistance Programs

Financial capital may be available to assist in getting a business off the ground with the following programs:

- ?? Entrepreneurial Venture Assistance (EVA). This program provides financial and technical assistance to early-stage technology companies.
- ?? Targeted Small Business Assistance (TSB). This program is designed to assist in the creation and expansion of small businesses that the majority is owned by women, minorities, or persons with disabilities.
- ?? Self-Employment Loan Program (SELP). This provides financial assistance low-income owners of new or expanding small businesses.

Infrastructure Assistance Programs

Physical Infrastructure Assistance Program (PIAP). This program is designed to financially assist capital-intensive infrastructure projects that create unique opportunities for quality, high-wage jobs and demonstrate a statewide impact. Both Iowa communities and new or existing businesses are eligible for this innovative program.

PIAP is designed to take a comprehensive approach to address a wide variety of critical infrastructure needs. This program may also be used to remediate contaminated sites that have potential development opportunities contingent on the cleanup. Assistance is provided in the form of loans, forgivable loans and cost indemnification agreements.

Public Facilities Set-Aside (PFSA). The PFSA program provides financial assistance to cities with less than 50,000 in population and to counties for public infrastructure improvements that enable businesses to create new job opportunities. Projects that will create manufacturing jobs, add value to Iowa resources and/or increase out-of-state exports will be given priority. Eligible projects include adding or improving sanitary sewer systems, water systems, streets, roads, and storm sewers.

Employee Training Programs:

- ?? Iowa Industrial New Jobs Training Program (260E). This program provides no-cost or reduced-cost job-training services to new employees of eligible businesses through Iowa's community college system
- ?? Iowa Jobs Training Program (260F). This program provides job training services to current employees of eligible businesses that are located in Iowa.
- ?? Accelerated Career Education Program (ACE). This program assists Iowa's community colleges in establishing/expanding programs that train individuals in the occupations most needed by Iowa businesses.

Other Financial Assistance Programs

Entrepreneurs with Disabilities (EWD). This program helps qualified individuals with disabilities establish, acquire, maintain or expand a small business by providing technical and financial assistance

Export Trade Assistance Program (ETAP). This program provides assistance to Iowa business of up to a 75% reimbursement for international marketing efforts.

Iowa Officials Welcome Anti-Meth Media Blitz

On September 4, Iowa Drug Policy Coordinator Gary Kendall and Partnership for a Drug-Free Iowa President Peter Komendowski welcomed the White House Office of National Drug Control Policy's (ONDCP) new anti-drug media campaign targeting methamphetamine use in Iowa and other selected states.

Congress has directed that 10 percent of the budget for this year's ONDCP paid National Youth Anti-Drug Media Campaign focus on reducing methamphetamine use. ONDCP is targeting 12 states with a six-month meth treatment and prevention media campaign, starting on September 4. Iowa is one of six states in which the new anti-meth advertising will run statewide.

"Methamphetamine continues to be one of the most troubling drugs of abuse in Iowa, largely because users keep demanding meth after quickly becoming addicted to it," said Kendall. "Hopefully the media blitz will lead more addicts into treatment so they can stop using meth, while also preventing young Iowans from ever starting down the road of drug abuse."

Kendall, who was appointed by Governor Culver, also serves as Director of the Governor's Office of Drug Control Policy. The Partnership works with the ODCP to get the word out about the dangers of drugs.

"Research in Iowa and elsewhere shows treatment can work to help addicts stop using meth, and that's good news for everyone affected," said Kendall. "But treatment only works if it's timely and available in sufficient quantities, and additional resources are needed to make that happen for more Iowans."

"This concentrated campaign will ratchet up the level of awareness Iowans currently have about meth, based on past public service messages," said Komendowski. "One purpose of this campaign is to debunk the myth that meth addiction is a hopeless situation."

Kendall said that Iowans wanting more information on the new national anti-meth campaign can go on line to www.methresources.gov or, for details on local substance abuse services, call the Iowa Substance Abuse Information Center toll-free Help Line at 1-866-242-4111.

Property Tax Interim Committee

The 2007-2008 Legislative Property Tax Interim Committee met on Wednesday, September 12. The Committee was approved by the Legislative Council in June and is comprised of legislators and public sector members.

The Legislative Property Tax Study Committee was established for both the 2007 and 2008 Interims to perform a comprehensive review of the state property tax system.

At the initial meeting, the Committee heard presentations from Dale Hyman, Administrator, Property Tax Division, and Department of Revenue on how property is assessed.

Mike Albers from the Department of Management and Jeff Robinson of the Legislative Services Agency presented on the basics of Urban Renewal and Tax Increment Financing

Jim Addy from the Iowa Department of Education gave a presentation on basics of School Finance.

Quite possibly the most startling presentation came from Cedar Rapids City Manager Jim Prosser on Local Government Revenue sources. Mr. Prosser's presentation included information on how Iowa cities are over-reliant on property taxes and Iowa cities need to diversify revenue sources through other taxes and fees, such as impact fees, franchise fees, local sales tax and local income tax .

The Committee has two more meetings scheduled for 2007, November 7 and another meeting in December. Topics likely on the agenda for the November meeting include new revenue sources for cities and counties, in-fill development and greenfield development.

Agricultural Building Assessment Issue

Recently due to a rule change in agricultural land assessment, many areas are seeing agricultural building assessments change.

The issue was a result from agricultural building assessments varying significantly by county and somewhat by building type.

In 2005 and 2006 the rules were proposed by the Department of Revenue and adopted by the Administrative Rules Committee that state the assessment of buildings should be at the same ratio of actual value as the productivity assessment is to market value of agricultural land. This was done to provide uniformity across the state, which is consistent with the Iowa *Code* and Iowa Constitution.

In March 2007, assessors statewide received notice of rule changes and factors. Twenty-three counties made significant reductions in farm buildings assessments with a total reduction of 43% for those counties. The goal of the Department of Revenue is to have full compliance from all 99 counties for the January 1, 2009 assessments.

The impact of this rules change does not affect the total value of agricultural land and buildings for a county during an equalization year (odd-numbered years). In even-numbered years, the amount of value added for new construction for a county will be reduced by the percentage the factor is lowered.