

Representative Jeff Kaufmann



December Electronic Newsletter, Part One

Hello 79th District:

Merry Christmas and Happy New Year. As the Legislature prepares for a new session that begins on January 14th, we are bombarded with information, reports, and requests. Out of all of the paperwork I receive, your e-mails and letters still take precedence so please let me know what you are thinking. In a few weeks I will make available my survey of issues as another way to gauge your opinion. I have a lot of information for you to read in this communication. My philosophy for this newsletter is to present you the facts or proposals and allow you to draw your own opinion. For instance I present the latest road funding proposal, but I am NOT endorsing the proposal just letting you see what I see. In a few weeks I will begin my weekly newspaper columns which are written about current issues along with my opinion and analysis.

I look forward to hearing from all of you over the course of the next several months.

Jeff

REC Meets, Increases Revenue Estimate for FY 08

On December 11, the Revenue Estimating Conference (REC) met to revise the general fund revenue estimates for FY 08 and FY 09. While the REC increased the FY 08 estimate from 5.1 percent to 6.0 percent, the FY 09 estimate of 2.6 percent is well short of what is needed to cover built-in spending.

There continues to be good news on the revenue side of the ledger. Through December 12, gross general fund revenue was 12.5 percent above actual FY 07. That is more than double the increased REC estimate of 6.0 percent. Personal income tax revenue continues to power the revenue increase.

According to Fiscal Services, that increase in the revenue estimate for FY 08 leaves an ending balance of \$139 million. Under current law, that would be split between the cash reserves and the Senior Living Trust Fund (SLTF). However, since the reserves were full in FY 07, it only takes \$17 million to keep the reserves full at 10 percent in FY 08. The remaining \$122 million would be deposited in the SLTF.

However, in FY 07, the majority party used \$132 million from the ending balance to fund the FY 08 property tax credits. It could use the \$122 million that should be deposited into the SLTF, but that would still leave a hole of \$10 million that would have to be covered in FY 09. I will vote no to re-route those funds away from the Senior Living Trust Fund.

The news is even worse regarding the FY 09 balance sheet. The 2.6 percent revenue growth estimate leaves the budget \$350 million short of covering the spending already built into the FY 09 budget.

Here is the breakdown of the major spending increases already approved for FY 09: (Note that the built-in spending does not include expected increases for Regents, community colleges, private colleges, Courts, prisons, state patrol and other areas of the bureaucracy.)

- Homestead Property Tax Credit -- \$119.9 million
- State Employee Salary Bill / Collective Bargaining -- \$100.6 million
- K-12 School Foundation Aid -- \$89.2 million
- Teacher Pay / ISEA Kickback Bill -- \$75 million
- Medicaid (expected growth w/o any policy changes) - \$55 million

- Agricultural Land Property Tax Credit -- \$33.7 million
- Iowa Power Fund (built-in b/c FY 08 was supplemental appropriation) -- \$25 million
- Elderly and Disabled Property Tax Credit -- \$20 million
- Human Services – MHI Iowa Care Loss -- \$17 million
- Healthy Iowans Tobacco Trust Fund Shortfall -- \$16.5 million
- Preschool Foundation Aid (universal preschool) -- \$14.3 million
- Shared Weighting for sharing incentives -- \$8.5 million
- All other built-in and anticipated increases -- \$49.5 million

Total Shortfall (Deficit) in the FY 09 General Fund Budget -- \$350 million

The Governor and majority party leaders have publicly admitted that they spent too much last session. The key this session is whether we will actually reign in spending or just use budget gimmicks to spend just as much. I will not be a part of budget gimmicks to get us through the next election, however I will work with the majority party and the Governor to present a budget that reflects our Iowa values of fiscal responsibility. I am quite upset with the last several years of budgeting by both parties in Washington D.C. I will not be a part of this kind of governing in Des Moines.

Massachusetts Health Plan experiences some growing pains

Just 5 months since its inception, the Massachusetts Health Plan and the board overseeing are being forced to consider significant changes to the health plans being offered to citizens of their state participating in the program.

The Commonwealth Health Insurance Connector board recently voted to “press” insurers to hold the annual increase in health care premiums to no more than five percent. Many of the health insurers participating in the Connector have told officials that health care costs have increased between four and fourteen percent this year, requiring an increase in the premiums charged to the state and enrollees.

If health care plans cannot keep premium growth under the five percent target, the Connector board has told the companies that they are to submit a plan on what reductions in benefits or increases in patient co-payments would be implemented to offset the growth in costs. Another option is to create new plans that create limited provider networks or a tiered plan that charges higher co-payments to patients that use more expensive providers.

The issue of cost is being seen by those running this grand experiment as the difference between success or failure. According to the board chair keeping the plans affordable to the enrollees and Massachusetts is “critical to the sustainability of health reform.”

Continued Analysis of Iowa’s 2000 Foot Rule

On December 6th, the Iowa Supreme court upheld the state law requiring that convicted sex offender reside a minimum of 2000 feet from a school or child care center. The law itself has been particularly controversial since it was implemented in 2005 and has been challenged in court on more than one occasion.

The court’s ruling again rests on the determination that there is not a fundamental right to choose where one lives. The court found that as long as those subject to the law could still find a place to live that had basic 21st century standards in place, it was enough to satisfy their due process rights. The ruling stated that there was no evidence that the defendant could not find a location with adequate heat, water, sewer, and electricity. Once again, the law was upheld under judicial scrutiny.

In addition, the Legislative Services Agency released a memorandum looking at the impact of the implementation of HF 619 (2005 Sex Offender Act). While there is not a large amount of statistical data available to base long term conclusions on, there report focused on several areas to evaluate: the correctional impact; the fiscal impact; and a

report on the five divisions within HF 619. Again, the law has only been in effect for a short time, but much of the information is vital to evaluating the law.

There are a couple of points to note:

- The full correctional impact is not expected to be fully determined until 2028.
- Currently there are 2,058 sex offenders under supervision and the number is expected to keep growing as they serve their special sentences. Accordingly, the number receiving treatment has also increased. There are 6,157 offenders on the state sex offender registry.
- The prison population serving special sentences is expected to continue to grow and not level off until 2016.
- An estimated \$9.9 million has been spent on implementation of HF619 to date. This includes DNA testing, supervision programs, and treatment of offenders. The estimate is \$2.48 million for FY 09 and \$3.19 million for FY 10 (in addition to the \$9.9 million)
- There is some concern among various state agencies that budget increases will be necessary to continue fully implementing HF 619. It is anticipated that these increasing budget requirements may continue until the population levels off in 2028.

There has been discussion over the creation of “safe zones” as an alternative to the current 2000 foot policy. These zones would ban a registered sex offender from entering those areas, rather than restrict their place of residence. It remains to be seen whether the majority party will take aim at the current laws regarding sex offenders.

- The full 26 page report on the implementation of HF 619 is available from the Legislative Services Agency and I would be happy to obtain a copy for any of you. The full report more fully discusses issues such as DNA testing, prison populations, 2000 foot residency violations, electronic monitoring, and treatment programs.

Worker Shortage Forum Sets Stage for Legislative Session

On December 18th Governor Culver will be hosting a conference to address continuing concerns about the imminent shortage of workers in the state. The forum will focus on recommendations made by Skilled Worker Shortage Interim Committee as well as addressing other concerns from the education and business communities in Iowa.

The interim committee released a number of recommendations under three main categories: 1) Connecting Iowa’s young people to the working world; 2) Training and retraining workers in Iowa; 3) Recruitment of workers. While this list doesn’t contain specifics on spending, it does call attention to several projects including the STEM initiative (Science Technology Engineering and Math) to focus on educational opportunities in these developing career areas. The Iowa Workforce Training Fund was also mentioned as a project that needed to be expanded to allow additional capacity at Iowa’s community colleges.

The Generation Iowa Commission will also make recommendations that will likely be addressed at the summit. The Commission was tasked with addressing both retention and recruitment of young workers in the state; a key issue that also arose in the skilled worker interim. As part of this, the summit will discuss the current and future workforce, as well as the potential workforce and the need to tap into diverse populations to fill jobs.

The skilled worker shortage will no doubt underlie numerous issues during the upcoming legislative session. Tuesday’s conference will likely try to focus on narrowing this issue down to identify specific projects and areas that can have the most impact on this issue. Current estimates state that Iowa could be short as many as 130,000 workers in the near future.

Will the Rainforest Project take root in Iowa?

At this point, most Iowans are very familiar with the much touted and equally criticized Earthpark Project. The initial funding for the Earthpark was to come through a grant with the US Department of Energy. The \$48.3 million dollar grant came with stipulations however: the directors of the project needed to come up with another \$48.3 million in matching contributions. The deadline for those matching funds came up last week.

The deadline for apply to the Department of Energy arrived last week and the fate of the Earthpark is unclear. Investors and the project's director remained optimistic though, stating that they believed that in kind contributions to the project would be taken into account as part of meeting the required financial goal. They also emphasized that the requirement wasn't to have \$48.3 as cash on hand, but can have the money pledged. To date, the largest supporters are the city of Pella, with a \$25 million pledge, and Maxon Holdings of Atlanta, with \$10 million of support.

The paperwork required to receive the grant was submitted last week and a decision on the application could be released soon. The project is planned for a 240 acre site outside of Pella and would include a rainforest, aquarium, as well countless plants and animal species. Critics question the park's ability to draw profitable crowds, but developers estimate the park would attract more than 800,000 visitors a year. We'll soon hear whether or not this project will indeed break ground. My gut reaction is to let this thing go away!

Youth Drug Use Continues To Fall

The use of illegal drugs by American teenagers continued to fall, according to a survey by the National Institute of Drug Abuse. The survey, released Tuesday by President Bush, shows that 13 percent of eighth graders used illegal drugs this year. This is nearly half the number of eighth graders that admitted to using illegal drugs in 1996 – 24 percent at that time.

While the reduction in the use of drugs like marijuana and cocaine was down significantly, the survey also showed that the misuse of prescription drugs and prevalence of ecstasy are on the increase. Fifteen percent of high school seniors in 2007 reported using a prescription drug for “nonmedical reasons”.

IowaCare continues to grow

The IowaCare program now is providing health care coverage to over 20,000 Iowans. This program, started in 2005 as a replacement to the Indigent Care Program, serves Iowa adults whose income is below 150 percent of poverty and lack health care coverage. People enrolling in the program receiving care at the University of Iowa Hospitals and Clinics or Broadlawns Medical Center, for Polk County residents.

Statistics provided by the Iowa Department of Human Services show that over 80 percent of IowaCare enrollees have personal income below 100 percent of the federal poverty. This is significantly differs from what legislators and DHS officials expected when the program was conceived.

Another surprising fact about IowaCare that has emerged is that virtually every Iowa county has more people enrolled in the program than had used the Indigent Care Program in the past. This is occurring despite growing issues with the number of enrollees who are getting care at local hospitals, which get no reimbursement from the state for serving IowaCare enrollees.

The growth in enrollment will also have a budgetary impact. The University of Iowa Hospitals and Clinics will be requesting an increase in its IowaCare budget of over \$10 million in FY 2009, and a supplemental request for FY 2008 of over \$6 million.

Minimum Wage to Increase Again on January 1, 2008

House File 1 from the 2007 Legislative Session increased the state minimum wage from \$5.15 per hour to \$7.25 over the course of 8 months in two scheduled increases. On April 1, 2007, the required Iowa minimum wage increased from \$5.15 per hour to \$6.20 per hour. On January 1, 2008, it will increase to \$7.25 per hour.

Employers that gross at least \$300,000 in sales or business per year must comply with the new Iowa Minimum Wage Law. Additionally, some types of employers or “named enterprises” must comply with the law regardless of business volume. “Named enterprises” that must comply with the Iowa Minimum Wage Law regardless of business volume include:

- All public agencies
- All hospitals and residential care facilities for the sick, elderly, mentally or physically handicapped or gifted children
- All schools and preschools
- All public transportation subject to state or local regulation
- Most daycares (certain in-home daycares with five or fewer children and with only one employee, or whose only employees are members of that individual’s immediate family, are excluded from the minimum wage law)
- Employers engaged in construction, laundry and dry cleaning.

Some types of employers are not required to comply with the Iowa Minimum Wage Law, such as certain employers in agriculture, certain summer camps, and others.

The Iowa Minimum Wage Law is not the same as the federal minimum wage law, although there is overlap between the two. Some differences:

1. The federal minimum wage is \$5.85 per hour until July 24, 2008 when it will increase to \$6.55 per hour. The federal minimum wage will increase again July 24, 2009 to \$7.25 per hour
2. The Iowa Minimum Wage Law requires that an employer grossing at least \$300,000 in sales or business per year must pay the new higher Iowa minimum wage, unless some other exception applies. The current federal minimum wage law sets that requirement at \$500,000, with a few exceptions

AGC Proposal without a Gas Tax Increase

Below is a summary of the Association of General Contractors’ proposal that does not include a gas tax increase. This plan raises the needed 250 million dollars for the Time 21 road construction fund.

I am NOT endorsing this plan but I would like to have your feedback.

Elimination of 5% Motor Vehicle Use Tax Replaced

With a 6% Registration to Purchase Fee \$54 million

- The belief is that this new fee would be constitutionally protected. Currently, the Use Tax is not constitutionally protected. (Not included in the first proposal.)

**Commercial/Agricultural Trucks, Special Trucks,
Personal Pickups, Extended Registration Fees \$26.2 million**

- Establish a new registration schedule for currently owned and newly purchased commercial/agricultural trucks as follows:

For a combined gross Weight exceeding	And not exceeding	Current	Proposed
0 tons	3 tons	\$65	\$100 (10 yrs or newer) \$85 (11 yrs – 13 yrs) \$70 (14 yrs – 15 yrs) \$50 (more than 15 yrs)
3 tons	4 tons	\$80	\$120
4 tons	5 tons	\$90	\$135
5 tons	6 tons	\$105	\$150
6 tons	7 tons	\$130	\$165
7 tons	8 tons	\$165	\$175

(No change from the first proposal)

- All non-commercial/agriculture use pickups currently owned are raised to \$100. (No change from the first proposal.)
- All new non-commercial/agricultural purchases after July 1, 2008 will pay based on weight and value in the same manner as personal automobiles. (The effective date is moved up six months compared to the first proposal.)
- Establish a new registration schedule for all current and newly purchased special trucks for farm use which would increase fees as follows:

Vehicle Weight	Current	Proposed
6 ton	\$80	\$100
7 ton	\$100	\$125
8 ton	\$125	\$155
9 ton	\$135	\$170
10 ton	\$150	\$190
11 ton	\$165	\$205
12 ton	\$180	\$225
13 ton	\$195	\$245
14 ton	\$210	\$265
15 ton	\$225	\$280
16 ton	\$240	\$295
17 ton	\$255	\$305
18 ton	\$270	\$315

(No change from the first proposal)

- The AGC proposal calls for extending the weigh value schedule by two years while places a floor at \$50 per year for all newly purchased vehicles: The proposal would work as follows:

Value Component of Fee	Current Schedule	Proposed Schedule
100%	1 - 5 Years	1 - 7 Years
75%	Year 6	Year 8 - 9
50%	Year 7 – 8	Years 10 – 11
Base Rate	Year 9 and after - \$35	Year 12 and after - \$50

(No change from the first proposal.)

Driver’s Licenses Fees **\$7.4 million**

Increase the registration fees from \$4 per year or \$23 (including the \$3 surcharge) to \$6.60 per year or \$33 for a five year license, raising chauffeur licenses from \$8 per year to \$12.60 per year and CDL’s from \$8 per year to \$12.60 per year, and motor cycle licenses to \$8 per year. From July 1, 2003 through June 30, 2008 individuals obtaining or renewing a noncommercial driver’s license, chauffeurs license, or CDL are assessed a one-time \$3 surcharge. (No change from the first proposal.)

Trailer Registration **\$7.5 million**

Increase trailer registration fees for all current and newly purchased trailers from \$10 to \$20 for smaller trailers, not exceeding 2,000 pounds. The fees for current and newly purchased larger trailers exceeding 2,000 pounds increase from \$10 to \$30. (No change from the first proposal.)

Title Fees **\$10.1 million**

Title fees increase from \$10 to \$20 and salvage title fees increase from \$2 to \$5. (No change from the first proposal.)

Total **\$105.2 million in 2009**
\$201.0 million in 2012
\$243.5 million in 2018