

★ Roll Call Number

Agenda Item Number

57

Date February 12, 2007

City of Des Moines Legislative Update for the First Session of the Eighty Second Iowa General Assembly.

Moved by _____ to receive and file the attached report

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
HENSLEY				
KIERNAN				
MAHAFFEY				
MEYER				
VLASSIS				
TOTAL				

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

MOTION CARRIED

APPROVED

Mayor

City Clerk

City of Des Moines

LEGISLATIVE UPDATE February 12, 2007

The task force appointed by Governor Culver to propose commercial property tax changes issued their recommendations (attached). The committee has recommended that the State provide funding for some immediate relief to commercial owners and to also appropriate \$1 million for a longer-term study to implement a 21st Century tax system for Iowa, including addressing the issues of the rollback formula, apartment classification, tax exempt properties, agricultural buildings, and tax increment financing.

Governor Culver signed HF 1, the minimum wage bill, on January 25th, his first bill signing. Culver said that the bill "is a real improvement in the quality of life for many Iowans."

Governor Culver said, "I want to thank the 119 members of the Iowa General Assembly who voted for this historic legislation, many of whom are with us today. You acted quickly, decisively and in a bipartisan manner. I especially appreciate the support of the majority and minority leaders in both houses, not one of whom voted against this bill. That is simply historic. Because you came together, and because of your hard work, the lives of nearly 258,000 hardworking Iowans will be improved."

The Des Moines Area Regional Transit Authority (DART) has added a shuttle bus from the west doors of the Capitol to the parking ramp at Penn & Grand, and on Grand Ave. to the State Historical Building. The shuttle runs from 7:00 a.m. to 6:00 p.m. and is free to riders.

Several bills of interest being reviewed by City staff, include:

HOUSE FILES

Bill: HF 33 INTEROPERABLE RADIO SYSTEM
Sponsor: Berry, Kressig & Kelley
Description: Establishes a statewide interoperable radio system board under the DPS and the DOT. Requires the board to develop and implement policy, operations, and fiscal components of communications interoperability efforts at the state and local level, and coordinate with similar efforts at the federal level. Requires the board to ultimately develop a statewide integrated public safety communications interoperability. (Public Safety)

- Bill:** HF 35 LOCAL SMOKING BANS
Sponsor: Foege
Description: Allows local governments to adopt stricter smoking bans, including allowing the elimination of exemptions for designating a smoking area or for allowing a private social hall, or place of work to be designated as a smoking area, or for bars. (Local Government)
- Bill:** HF 39 FRANCHISE TAX TO CITIES
Sponsor: Van Fossen
Description: Re-enacts the previously repealed annual appropriation of \$8.8 million of state franchise tax revenues to cities and counties. (Ways & Means)
- Bill:** HF 48 BROWNFIELD FUND
Sponsor: Dandekar, et al
Description: Appropriates \$3 million to the DED for the Brownfield Redevelopment Fund. (Appropriations)
- Bill:** HF 53 LOCAL OPTION VOTES
Sponsor: Tymeson
Description: Requires that a ballot proposition for a local option tax be voted on in the general election. (State Government)
- Bill:** HF 92 SEXUAL ORIENTATION DISCRIMINATION (See SSB1046)
Sponsor: Hunter, et al
Description: Prohibits discriminatory employment, public accommodation, housing, education, and credit practices that are based on a person's sexual orientation or gender identity. Allows a bona fide religious institution to impose qualifications if related to a bona fide religious purpose. (Human Resources) See SSB 1046
- Bill:** HF 94 WATERWORKS ELECTION
Sponsor: R. Olson
Description: Allows a city to dispense with an election in regard to granting a waterworks franchise by ordinance. (Local Government)
- Bill:** HF 96 SUBSTANCE ABUSE COVERAGE
Sponsor: Jochum & Smith
Description: Requires that health insurance contracts include mental health conditions based on rates, terms, and conditions which are no more restrictive than the rates, terms, and conditions for other coverage benefits. Includes disorders involving mental illness or alcohol or substance abuse. Requires the Insurance Commissioner to adopt rules after consultation with the new mental health insurance advisory committee. Repeals current code sections on biologically-based mental illness as of January 1, 2008. (Human Resources)

Bill: HF 108 VICTIM NOTIFICATION
Sponsor: Lukan
Description: Establishes an automated victim notification system within the Crime Victim Assistance Division. Requires police departments and sheriff's department to give a telephone number and a website to each victim to register with the automated system. (Public Safety)

Bill: HF 116 EQUALIZATION ORDERS
Sponsor: Struyk
Description: Limits the amount that can be levied due to an equalization order unless the Board of Supervisors or city council adopt a resolution and hold a public hearing on the resolution. (Local Government)

Bill: HF 130 HISTORIC PRESERVATION CREDITS
Sponsor: Van Fossen
Description: Increases the amount of tax credits for historic preservation that may be approved each fiscal year to \$20 million. Requires that \$2 million of the credits be awarded to projects under \$200,000. (Ways & Means) Some similarities to SSB 1082

Bill: HF 131 COUNTY TAX MATTERS
Sponsor: Van Fossen
Description: Requires a city or council or the supervisors to adopt a resolution and to hold public hearings before property tax increase. Changes the requirement on the number of signature to protest a county budget. Ties commercial, residential and farmland property together to the rollback. Contains related provisions. (Ways & Means)

Bill: HF 132 SALES TAX TIF
Sponsor: Struyk, et al
Description: Allows city with a local option sales tax to create a sales tax TIF to finance development projects within the TIF. Requires the owners of the project to invest at least \$5 million and bans gambling facilities or malls. Allows the city to enter into an agreement with the DED to receive increase in the state sales tax in the district if appropriated by the Legislature. (Local Government)

Bill: HF 134 MILITARY PROPERTY TAX CREDIT
Sponsor: Pettengill, et al
Description: Increases the military property tax credit to \$2,500 and allows honorably veterans of armed forces to collect the credit. (Veteran Affairs)

Bill: HF 138 ROAD ALLOCATIONS
Sponsor: Van Fossen
Description: Changes RUTF allocations to 50% of the money to the primary road fund, 25% to the secondary road fund and 25% to the street construction fund of cities. Makes appropriations to the secondary road fund to counties on a per-capita basis. (Transportation)

Bill: HF 150 ELECTRIC SCOOTERS
Sponsor: Kaufmann
Description: Authorizes a city to allow electric scooters on streets within the city. Defines electric scooter and requires the operator to be a licensed driver. Requires the scooters to be properly equipped. Establishes a scheduled fines of \$50 for violating these provisions.

Bill: HF 178 FERTILITY COVERAGE
Sponsor: D Olson
Description: Mandates coverage for the diagnosis and treatment of infertility in certain health insurance policies, contracts, or plans issued to employers of more than 25 full-time employees who provide coverage for pregnancy. Makes definitions and includes provisions on limits on coverage for in-vitro procedures. (Commerce)

Bill: HF 185 PROSTHETIC COVERAGE
Sponsor: Kressig
Description: Requires an individual or group policy or contract for health or medical expenses to offer benefits for prosthetic devices that provide, at a minimum, coverage equal to federal coverage for the aged and disabled. Applies this requirement to all policies after July 1, 2007. (Commerce), See SSB 1076

Bill: HF 187 LOCAL SMOKING BANS
Sponsor: Petersen, et al
Description: Allows local governments to adopt stricter smoking bans, including allowing the elimination of exemptions for designating a smoking area or for allowing a private social hall, or place of work to be designated as a smoking area, or for bars.

Bill: HF 188 RURAL WATER ASSOCIATIONS
Sponsor: Huser
Description: Restricts a rural water district or a rural water association from providing water service within two miles of a city. Requires a rural water district or a rural water association that intends to provide such water service to notify the city council or the city's utility board. (Local Government)

Bill: HF 192 UTILITY LIENS
Sponsor: Huser
Description: Requires a notice of discontinuance or notice of intent to certify a delinquency to the county treasurer be given to the account holder in whose name the delinquent rates or charges were incurred. Prohibits allowing a delinquency to be certified to the county treasurer if the delinquent charges were incurred prior to a transfer of the property and the delinquency was not certified to prior to the transfer and require the treasurer to inform the utility that the delinquent charges cannot be made into a lien. Prohibits denying service to a new account holder for delinquent charges unless those charges have been certified in a timely manner. (Local Government)

Bill: HF 200 FRANCHISE TAX
Sponsor: Thomas
Description: Re-enacts the \$8.8 million appropriation from the state franchise to cities and counties that was repealed in 2003. (Local Government)

Bill: HF 201 FIRE & EMS BUDGETS
Sponsor: Huser
Description: Allows an existing advisory board for fire and EMS services to continue to prepare an annual budget until the agreement creating such board is canceled or expires. Makes the board's budget subject to the municipality providing the services. (Local Government)

Bill: HF 202 PUBLIC FUNDRAISING
Sponsor: Ford
Description: Prohibits public officials and employees from using state property for fundraising for a group or organization of public officials or public employees. Requires nonprofit organizations to make certain disclosures when fundraising by phone on behalf of an organization of public officials or public employees. Authorizes civil enforcement by the Attorney General, including equitable relief and penalties up to \$40,000. (State Government)

Bill: HF 219 RECREATIONAL PROPERTY TAX EXEMPTION
Sponsor: Huser & Struyk
Description: Creates a property tax exemption for recreational property for commercial enterprises such as a golf course, downhill skiing area, amusement park, outdoor volleyball park, softball park, or water theme park,. Sets the exemption at 75% of the value of

the property. Requires the owner to apply to the assessor for the credit, and subjects the credit to a recapture period of up to 10 years for a change in use, unless the change is as a result of condemnation. (Ways & Means) See SF 105

Bill: **HF 220 LINE OF DUTY BENEFITS**
Sponsor: Reichert
Description: Codifies the eligible beneficiaries for the \$100,000 line of duty death benefit for a person covered under the statewide fire and police retirement system and allows the member to designate the beneficiary. Requires the benefit to be paid from the General Fund and not from the pension system fund. (State Government)

Bill: **HF 223 LOCAL GOVERNMENT COMMISSION (Successor to HSB 9)**

Subcommittee: Local Government
Description: Creates a Local Government Innovation Commission and Fund and creates a Center for Governing Excellence. Puts the new commission in the DOM for administrative purposes. Sets the membership of the commission. Requires the Commission to prepare an RFP for the new center. Establishes the purpose of the center to do objective and nonpartisan research and training for policymakers and government officials; to integrate the research capacities of community colleges and public and private universities and of local government organizations; and to perform other related duties. Establishes the fund to give grants to assist in implementing local governance and revenue models developed by the commission.

Bill: **HF 226 TAPING PURSUIT ARRESTS**
Sponsor: Ford
Description: Requires a police officer to keep a video camera recording during a pursuit and questioning for eluding a police officer, if the officer's vehicle contains a camera. (Public Safety)

Bill: **HF 229 MAYORAL ELECTION**
Sponsor: Whitead
Description: Sets the number of signatures for a mayoral election petition in a city with a council-manager form of government that adds the direct election of the mayor 0.02% of the total in the last city council election, or at least 10 signatures. (Local Government) See SF 58

- Bill:** **HSB9 LOCAL GOVERNMENT COMMISSION**
Sponsor: Local Government
Description: Creates a Local Government Innovation Commission and Fund and creates a Center for Governing Excellence. Puts the new commission in the DOM for administrative purposes. Sets the membership of the commission. Requires the Commission to prepare an RFP for the new center. Establishes the purpose of the center to do objective and nonpartisan research and training for policymakers and government officials; to integrate the research capacities of community colleges and public and private universities and of local government organizations; and to perform other related duties. Establishes the fund to give grants to assist in implementing local governance and revenue models developed by the commission. Subcommittee not available.
- Bill:** **HSB10 SEX OFFENDERS AT SCHOOLS**
Sponsor: Public Safety
Description: Makes it an aggravated misdemeanor for a registered sex offender to be on the property of a school or child care facility. Sets exceptions if the sex offender is transporting the offender's or attending a parent-teacher conference, or is summoned to discuss the progress of the child, or the sex offender is voting in an election. Requires the offender to have written permission from the administrator of the facility to be on the property for any other reason. Subcommittee not available
- Bill:** **HSB24 SMOKING BAN**
Sponsor: Petersen, Jacoby, Lukan
Description: Bans smoking in public places and places of work, and within 50 feet of entrances. Creates a limited number of exceptions. Establishes civil penalties for owners of property and for persons who smoke in violation of the rules.
- Bill:** **HSB38 OPEN RECORDS**
Sponsor: Pettengill, Jacobs, Jochum, Lensing, Roberts (Citizens Aide)
Description: Requires that the records for an employment applicant be open if the applicant is under final application. Requires that requests for closed sessions be made in writing.
- Bill:** **HSB39 POLICE & FIRE FIGHTER MEDICAL COSTS (See SSB1027)**
Sponsor: T. Taylor, Boal, Drake, Gipp, Jochum, Pettengill, Wendt
Description: Requires that a city shall pay for any medical attention for a member of statewide fire and police retirement system who is injured in the performance of the member's duties. Prohibits funding the cost through an employee-paid health insurance policy.

Bill: **HSB42 PUBLIC SAFETY DEATH BENEFITS (SEE SSB1026)**
Sponsor: T. Taylor, Boal, Drake, Gipp, Jochum, Pettengill, Wendt
Description: Deems the death of an eligible public safety provider for PORS, IPERS or MFPRSI from a heart attack or stroke as compensable as a line of duty death benefit if the provider had engaged in non-routine stressful or strenuous physical activity and the death within 24 hours after the activity. Does not allow the presumption to be overcome by medical evidence. Requires that if the line of duty death benefit payable under any of the retirement systems is less than \$100,000, a supplemental line of duty death benefit equal to the difference shall be paid to the by the DPS

Bill: **HSB 51 WORKERS COMP CHANGES (See SSB1062)**
Sponsor: Mascher, Horbach, Palmer (DWD)
Description: Deems that an employer assumes liability for workers' compensation coverage of certain domestic, casual, and agricultural employees by purchasing coverage that does not specifically exclude them. Prohibits an employer from assuming liability for workers' comp coverage of police officers and fire fighters and certain corporation officers who voluntarily reject workers' compensation coverage. Makes it a prohibited practice for a creditor to attempt debt collection after receiving actual notice that a contested case proceeding is pending. Makes a day, for determining when compensation begins, eight hours of accumulated absence from work due to incapacity. Strikes provisions for using a minimum guarantee for persons paid by piecework, and the determination of liability when an employee suffers successive injuries. Includes a person who contracts with a contractor as an employer, for workers comp, if the contractor has failed to insure its workers' compensation liability. Requires an insurer to pay all workers' compensation benefits when due, regardless if the deductible has been paid.

Bill: **HSB 89 LOCAL SMOKING BANS (See HF 35)**
Sponsor: Thomas, Clute, Kelley, Tjepkes, Whitead (Local Government)
Description: Allows local governments to adopt stricter smoking bans, including allowing the elimination of exemptions for designating a smoking area or for allowing a private social hall, or place of work to be designated as a smoking area, or for bars.

Bill: **HSB 100 WORKER INJURIES**
Sponsor: Labor
Description: Requires a scheduled injury resulting in permanent partial disability that results in a reduction in earning capacity greater than the weeks compensated in the schedule for that injury shall be compensated in the same way as an unscheduled injury that results in permanent partial disability.

Bill: HSB 101 IPERS BUYBACKS
Sponsor: State Government
Description: Allows an IPERS member to receive a credit for the cost of purchasing that prior service equal to the amount of the member's employer's accumulated contributions that were not paid when the member received a refund, plus interest, when buying back service.

Bill: HSB 146 HISTORIC PRESERVATION CREDITS
Subcommittee: Economic Growth
Description: Eliminates the discounting of the value of a historic preservation tax credits and allows the entire tax credit to be refunded, or to be carried over for succeeding tax years, until depleted. **Caps:** Increases the amount of tax credits that may be approved each fiscal year to \$20 million less the cost for administration. Reserves \$2 million for projects with qualified costs of \$500,000 or less, and \$6 million of tax credits for projects in cultural and entertainment districts or in Iowa Great Places. Allows any of these unused reserve credits to be applied to reserved tax credits in order of original reservation. Appropriates \$150,000 annually to the DCA for administering this program. Applies to cultural districts created before July, 2007 See SSB 1082 (DCA)

SENATE FILES

Bill: SF28 28E AGREEMENTS
Sponsor: Lundby, et al
Description: Requires that a 28E agreement for a joint undertaking designate a lead public agency. Makes the lead agency responsible for ensuring compliance with the agreement and any applicable laws, and ensuring that the budget and other information be made available to the public. Effective upon enactment and applies to agreements entered into or renewed on and after that date. (State Government)

Bill: SF29 RECREATIONAL & CULTURAL MATTERS
Sponsor: Hatch, et al
Description: **Tax Credits:** Increases the amount of tax credits for historic preservation and cultural and entertainment district to \$12.4 million. Increases the amount of credits that can be approved each fiscal year in certified cultural and entertainment districts to \$8 million, through 2015. **Cultural Districts:** Allows a cultural and entertainment district to be in a city-created self-supported municipal improvement district. Allows residential property within a certified cultural and entertainment district to be taxed for an operation tax, a capital improvement tax, and a debt service tax for a self-supported municipal improvement district. Authorizes an individual income tax credit for contributions of fine art or

written materials by the artist or author in lieu of the present charitable contribution tax. Creates a sales tax exemption for the sale of fine art in a business in a certified cultural and entertainment district. **Recreational trails:** Removes recreational trails from the definition of "private development purposes" if the trails connect either two existing recreational trails or a recreational trail with a cultural and entertainment district. Requires the trail to follow an existing right-of-way. Appropriates \$100,000 to market trails. Requires the DED to administer a recreational trail connectivity program and fund, and to make grants for the program. Allows the State Treasurer to issue bonds to fund the program. Limits the aggregate of the bonds to \$34 million. Makes the bonds exempt from the state income tax. The interest on the bonds. Appropriates \$2.7 million annually for the program. **Workforce training:** Allows persons enrolled in an approved noncredit certificate program at a community college to receive tuition assistance. Requires the program to be a noncredit certificate program related to a state or national license or endorsement. Sets assistance based on residency and income. Allows community colleges to partner with the DWD to give labor market information regarding demand occupations, assistance in developing customized training partnerships with local area employers, or placement, retention, and advancement services. Appropriates \$3 million to the DOE, to be used by community colleges. Requires each community college to get \$100,000 for the program, and the remaining funds to be distributed proportionately. **Main Street:** Appropriates \$1.3 million to the DCA for the Main Street program. Requires the DED to transfer the administrative duties of the program to the DCA. Requires the DCA to make the program available to cities of any size. (Economic Growth)

Bill: SF 37 ACCIDENT DRUG TESTING

Sponsor: McCoy

Description: Requires that the driver of a vehicle involved in an accident resulting in death or serious injury be tested for alcohol and drugs. Requires that a blood draw be done by a physician, physician assistant, medical technologist, or registered nurse, acting at the request of a police officer, but allows the officer to take a sample of the person's breath or urine. Strikes provisions requiring an officer to get a warrant to obtain a sample. (Transportation)

Bill: SF 58 MAYORAL ELECTION

Sponsor: Warnstadt

Description: Sets the number of signatures for an mayoral election petition in a city with a council-manager form of government that adds the direct election of the mayor 0.02% of the total in the last city council election, or at least 10 signatures. (Local Government)

Bill: SF 97 DEATH ANNOUNCEMENTS
Sponsor: Boettger
Description: Requires a police officer, county or state medical examiner, or similar authority, to notify the relatives of a deceased individual in person. Requires that arrangements to be made for personal notification if the person does not live in the area. Prohibits disseminating the name over the radio. (State Government)

Bill: SF 98 HISTORIC PRESERVATION CREDITS (Successor to SSB 1082)

Subcommittee: Economic Growth

Description: Eliminates the discounting of the value of a historic preservation tax credits and allows the entire tax credit to be refunded, or to be carried over for succeeding tax years, until depleted. Caps: Increases the amount of tax credits that may be approved each fiscal year to \$20 million less the cost for administration. Reserves \$2 million for projects with qualified costs of \$500,000 or less, and \$6 million of tax credits for projects in cultural and entertainment districts or in Iowa Great Places. Allows any of these unused reserve credits to be applied to reserved tax credits in order of original reservation. Appropriates \$150,000 annually to the DCA for administering this program. Applies to cultural districts created before July, 2007.

Bill: SF 105 RECREATIONAL PROPERTY TAX EXEMPTION

Sponsor: Zieman

Description: Creates a property tax exemption for recreational property for commercial enterprises such as a golf course, downhill skiing area, amusement park, outdoor volleyball park, softball park, or water theme park,. Sets the exemption at 75% of the value of the property. Requires the owner to apply to the assessor for the credit, and subjects the credit to a recapture period of up to 10 years for a change in use, unless the change is as a result of condemnation. (Ways & Means) See HF 219

Bill: SSB1046 SEXUAL ORIENTATION DISCRIMINATION

Sponsor: Hatch, Behn, Connolly

Description: Prohibits discriminatory employment, public accommodation, housing, education, and credit practices that are based on a person's sexual orientation or gender identity. Allows a bona fide religious institution to impose qualifications if related to a bona fide religious purpose.

Bill: SSB1062 WORKERS COMP CHANGES

Sponsor: Dotzler (C), Horn, Ward (DWD)

Description: Deems that an employer assumes liability for workers' compensation coverage of certain domestic, casual, and agricultural employees by

purchasing coverage that does not specifically exclude them. Prohibits an employer from assuming liability for workers' comp coverage of police officers and fire fighters and certain corporation officers who voluntarily reject workers' compensation coverage. Makes it a prohibited practice for a creditor to attempt debt collection after receiving actual notice that a contested case proceeding is pending. Makes a day, for determining when compensation begins, eight hours of accumulated absence from work due to incapacity. Strikes provisions for using a minimum guarantee for persons paid by piecework, and the determination of liability when an employee suffers successive injuries. Includes a person who contracts with a contractor as an employer, for workers comp, if the contractor has failed to insure its workers' compensation liability. Requires an insurer to pay all workers' compensation benefits when due, regardless if the deductible has been paid.

Bill: **SSB 1082 HISTORIC PRESERVATION CREDITS**

Sponsor: Rielly (C), Houser, Stewart (DCA)

Description: Eliminates the discounting of the value of a historic preservation tax credits and allows the entire tax credit to be refunded, or to be carried over for succeeding tax years, until depleted. **Caps:** Increases the amount of tax credits that may be approved each fiscal year to \$20 million less the cost for administration. Reserves \$2 million for projects with qualified costs of \$500,000 or less, and \$6 million of tax credits for projects in cultural and entertainment districts or in Iowa Great Places. Allows any of these unused reserve credits to be applied to reserved tax credits in order of original reservation. Appropriates \$150,000 annually to the DCA for administering this program. Applies to cultural districts created before July, 2007.

Bill: **SSB 1087 WHISTLE BLOWER COMPLAINTS**

Sponsor: Wood, Danielson, McKibben (State Government)

Description: Allows the Citizens' Aide to decline to investigate a whistleblower complaint in the same manner as the citizens' aide may decline to investigate other complaints. Requires the office to issue a report if it declines to investigate a complaint and that the report be given to the complainant, the agency director, or to the governor if the agency director is the subject, and to the Legislative Oversight committee. Prevents compelling any from the Citizens' Aide to testify about the report before the PERB.

Bill: **SSB 1120 FAIR SHARE AGREEMENTS**

Sponsor: Dearden (C), Courtney, Ward (Labor)

Description: Allows fair share agreement to be negotiated and included in union contracts with public employers. Requires a public employer to deduct the fair share fee from the wages of non-union members on a monthly basis and pay those fees to the union. Prohibits the fair share amount

from exceeding the amount of dues paid by union members. Requires a procedure for a non-union member to object to the amount of a fair share charge. Authorizes other labor unions to enter into a agreement with an employer to require the payment of a fair share charge as a condition of continued employment for employees whom the union is certified to represent. States that nothing in these changes shall be deemed to require an employee to become a member of a labor union.

Bill: **SSB 1123 UTILITY ASSISTANCE (See HSB92)**
Sponsor: Hogg, (C), Angelo, Dvorsky, Hatch, Johnson (LIHEAP) (Appropriations)
Description: Creates an energy utility assessment and resolution program to help prevent utility disconnections. Appropriates \$1 million for FY 2008 and repeals the program in three years. See HSB 92

Bill: **SSB 1149 COUNTY POWERS**
Subcommittee: Local Government
Description: Codifies the Iowa Supreme Court's ruling in *Fennelly v. A-1 Machine & Tool Co., No. 73/04-1232 (October 2006)* that finds counties immune from the Statue of Limitations when collecting delinquent property taxes because the county is engaged in a public or governmental activity.

Bill: **SSB 1158 WORKERS COMP TREATMENTS**
Subcommittee: Labor
Description: **Treatment:** Gives an injured employee the right to choose the provider of medical services, at the employer's expense. Requires written notice if either party is dissatisfied with care and wants the Workers' Compensation Commissioner to allow and order other care. Requires the decision with 30 days. Requires an employer to promptly notify an injured employee of the employee's right to choose medical care and prohibits the employer and the employer's insurer from making suggestions or otherwise attempting to influence the injured employee's choice. **Permanent Injuries:** Requires the employer to obtain a medical opinion regarding the employee's permanent disability when no significant improvement becomes medically indicated. Allows the employer to arrange for an examination of the injured employee but requires that the employee be paid, including for costs. Allows the employer to confer with the physician. Requires the employee to agree to the exam, and suspends any rights to compensation if the employee refuses. Allows the employee to seek a second opinion of the extent of disability at the owner's expense.

Bill: SSB 1161 LOCAL GOVERNMENT COMMISSION**Subcommittee:** Local Government**Description:** Creates a Local Government Innovation Commission and Fund and creates a Center for Governing Excellence. Puts the new commission in the DOM for administrative purposes. Sets the membership of the commission. Requires the Commission to prepare an RFP for the new center. Establishes the purpose of the center to do objective and nonpartisan research and training for policymakers and government officials; to integrate the research capacities of community colleges and public and private universities and of local government organizations; and to perform other related duties. Establishes the fund to give grants to assist in implementing local governance and revenue models developed by the commission. Slight differences with HF 223**Bill: SSB 1162 LOCAL SMOKING BANS****Subcommittee:** Local Government**Description:** Allows local governments to adopt stricter smoking bans, including allowing the elimination of exemptions for designating a smoking area or for allowing a private social hall, or place of work to be designated as a smoking area, or for bars. See HF 187, HSB 89**Bill: SSB 1164 POLICE REPORTS****Subcommittee:** Judiciary**Description:** Requires that certain investigative reports and certain portions of e-mails and phone billing records may be kept confidential if the statute of limitations pertaining to the crime under investigation has not expired.

Commercial Property Tax Task Force

**Report to
The Honorable Chet Culver
State of Iowa**

January 2007

January 26, 2007

The Honorable Chet Culver
State Capitol
Des Moines, Iowa 50319

Dear Governor Culver:

The Commercial Property Tax Task Force you appointed in December 2006 is pleased to submit its final report. The growing inequities between taxes on commercial property and other classes of property is a critical issue. We want to express our appreciation to you for addressing it as one of your first agenda priorities as Iowa's Governor. In addition, we want to especially thank the Task Force members who diligently listened to many individuals and interest groups, brought forth their own experience and expertise, and actively discussed the issues that led to the recommendations in this report.

Our timeframe was limited and our charge was specific. With that in mind, the Task Force makes recommendations specifically to address to an extent, the inequities for Iowa's commercial property tax payers. The Task Force desires to "stop the bleeding" of commercial property tax payers and send all tax payers a clear message that more needs to be done.

It also became very apparent in our early discussions that the tax system as a whole in Iowa has suffered as a result of years of "tinkering and adjusting" in an effort to alleviate certain inequities between the classes of property. It is also apparent, that over the years, other legislative adjustments have complicated the system even more. In every presentation and communication to the Task Force, there were suggestions that a major analysis and revision of our complete tax system is immediately in order.

Given that the last major tax system revision took place in 1978, there is a legitimate pent-up demand to address our tax system as a whole. This report provides a level of redress for commercial property tax payers in the state for a two year period. The Task Force is looking to you to use your position to encourage investment of resources possible at this time to implement the commercial property tax recommendations and implement a longer-term study to create a 21st Century tax system for Iowa.

Respectfully submitted,

Teri Hawks Goodman
Co-Chair

Michael King
Co-Chair

Governor Culver's Charge to the Task Force

The Commercial Property Tax Task Force is appointed to introduce an examination of Iowa's property tax system and, in particular, the matter of equity of the relationship between taxes on commercial property and those on other classes of property. This group will make recommendations to the Governor on the matter of commercial property tax inequities and possible solutions.

Commercial Property Tax Task Force Members

Teri Hawks Goodmann, Task Force Co-Chair – Mississippi River Museum; Chair, Dubuque Regional Airport Commission; Member, Dubuque Initiatives Board

Michael King – Task Force Co-Chair; Union County Supervisor; Member, Iowa State Association of Counties Board of Directors

Preston Daniels – Realtor; Former Mayor of Des Moines

Debi Durham, President, Siouxland Chamber of Commerce

Dennis Ausenhus, representing Ric Jurgens – President and Chief Executive Officer, Hy-Vee, Inc.

Michael Kiernan – Member, Des Moines City Council

James Kurtenbach – Story County, State Representative; Faculty Member, Iowa State University

Don Shoultz – Black Hawk County, State Representative

Dan Smith – Attorney; Consultant, City of Coralville and Coralville Home Builders Association

Task Force facilitation services were provided by State Public Policy Group, Inc. of Des Moines – www.sppg.com

The Task Force expresses its appreciation to the Iowa Department of Revenue, the Iowa Department of Management, the Iowa Legislative Services Agency, and the many citizens, organizations, and associations that provided information and input. An Appendix of meeting notes and a list of contributors of information provided to the Task Force is available under separate cover. The Task Force Report and Appendix are available on the Commercial Property Tax Task Force web site at <http://www.governor.iowa.gov/issues/comm-prop-tax.php>.

Overview

Over time, the Iowa tax system created a disproportionate tax burden on commercial property as compared with other classes of property. This shift puts commercial property tax payers and Iowa's businesses at a distinct disadvantage when compared to other states. To address this issue, Governor Culver created a nine-member citizen Task Force to bring forth recommendations to address the inequities between commercial property taxes and other classes of property tax.

The Iowa tax system is broken as a result of many years of "tinkering and adjusting." That being obvious, the Task Force feels strongly that a 21st Century Tax system must be created and the work and policy decisions to do so must be completed by 2009. This effort demands strong leadership, political will, public transparency, and hard work by Governor Culver and the General Assembly. This will succeed only if it is a bi-partisan effort.

The Task Force was given 30 days to meet and make recommendations. In an open and transparent process, interested stakeholders and the public provided information and perspective to the Task Force. It became clear at the outset that commercial property taxes are inextricably linked with other taxes, and while the Task Force charge was to address commercial tax inequities, it was very apparent this work was a first step in a broader examination of Iowa's property tax system. The Task Force decided to set aside the many additional, though important, issues in order to address the specific charge from the Governor.

In deliberations, including receiving public input, the Task Force discussed a number of broader property tax issues. Some were considered as a means to provide some level of immediate relief to commercial property tax payers, while others addressed the causes and effects of the current Iowa property tax system. The Task Force recognized, as a result of the evolution of the tax system over the years, policies and programs were specifically created as a means to address dysfunctional elements of the property tax system.

In considering the charge, the Task Force brought forth concepts to provide immediate and direct relief to commercial property tax payers through funding at whatever level is possible and is determined by policymakers. One proposal discussed would provide a direct and immediate commercial property tax credit through the state income tax filing of commercial property owners in conjunction with a two-year freeze of the residential rollback and eventual decoupling

of residential and agriculture valuations. There was discussion that the state of Iowa would provide more support to the counties for certain services, which would allow the counties to pass on a tax reduction to local commercial property tax payers. The Task Force agreed that properties that are currently tax-exempt could provide alternative solutions for local commercial property tax relief.

Change in the status quo for the commercial property tax structure and setting the stage for a more strategic and holistic reform of the tax system were the clear expectations of the group. The Task Force felt strongly about making specific recommendations for immediate action and to include additional recommendations to be considered the highest priority issues in a two-year comprehensive tax study. The Task Force expressed in very certain terms that the immediate recommendations and the priorities for the study are essential in creating a fair 21st century tax system for the state of Iowa.

Immediate Recommendations

To “stop the bleeding” and to start on a path to address the inequities for commercial property tax payers is foremost. The Task Force recommends immediate action be taken by the Governor and General Assembly on the following items as a way to prevent worsening inequities and to provide immediate tax relief to commercial property tax payers, as well as ensuring there are no immediate increases in other classes of property taxes. To not link these immediate recommendations, along with the priorities to be included in a two-year comprehensive tax study would be a major failing for the Task Force and Iowans.

The Commercial Property Tax Task Force requests the Governor and General Assembly consider the following recommendations. Each of these recommendations would have a positive impact on the inequities facing commercial property tax payers and provide a level of immediate tax relief to commercial property owners. The Task Force further urges policymakers to dedicate resources to the level possible to fund the selected strategies.

Commercial Property Tax Refund Strategy

- **Provide commercial property tax relief to the extent possible to commercial property owners by means of a commercial property tax refund reported on income tax forms and paid as a property tax refund.**

Rationale: This strategy targets commercial property owners and provides direct property tax relief to this class only in a manner that has immediate impact. Reporting and distributing relief through the state tax system protects local government from additional administrative burden and keeps property tax owners from waiting 18 months to receive a benefit. This strategy provides an equal dollar benefit for every business owning commercial property.

Education Funding Strategies

- **Continue investing resources in accordance with the 2006 legislation which focuses on equalization of the disparities among school districts.**

Rationale: This recommendation provides a level of relief to all classes of property tax, while providing a greater level of relief to commercial property owners. In addition, this strategy equalizes the tax impact between school districts. Targeting state funds to the extent possible to this strategy would continue the trend toward equalizing these tax levy rates that was begun in 2006.

- **Increase the state's share of K-12 education funding from the current 87.5% to 88.5% in Year 1 and to 89.5% in Year 2, with a goal of the state paying 95.0% by 2012.**

Rationale: Increasing state equalization for K-12 education funding one percent, to 88.5 percent in Year 1 will generate approximately \$25 - \$30 million in total property tax relief across all classes of property. Commercial property taxes account for nearly 25% of local property tax revenue, meaning roughly \$7.5 million or 25% of the relief will go back to tax payers if the residential rollback does not increase and the agricultural productivity formula does not fluctuate greatly. The equalization share of K-12 funding will increase to 95% over the course of five years, which will provide significant long term relief largely to commercial property owners and also to the other classes of property.

- **In conjunction with increasing the equalization formula described in the previous recommendation, in Years 1 and 2, increase the uniform school levy from \$5.40 to \$6.50 or \$7.50, depending on projections generated by Iowa Department of Revenue.**

Rationale: Increasing the uniform school levy from \$5.40 to \$6.50 or \$7.50 and increasing the equalization percentage will provide commercial property tax relief by increasing the state share of education funding, which results in a proportionately smaller total property tax burden across all classes of property locally. If the uniform school levy is increased by \$1.10 or \$2.10 in

conjunction with an increase in the state's share of K-12 education funding, much of the second effort required by counties to fill the remaining education funding gap will be reduced or nearly eliminated, providing greater tax relief to the commercial property owners than to other classes of property.

21st Century Tax System Study

It was pointed out by Task Force members and presenters that Iowa's tax system has been studied many times and little happened as a result of any study or recommendations. The Legislature has not revised the tax system which has been constructed, renovated, and re-renovated over the last 50 years. Recent bi-partisan efforts have moved issues incrementally forward.

Continued incremental action or no action is not acceptable to this group. The Task Force, in recognizing there are myriad issues to be addressed and changed, recommends a two-year study that engages citizens, legislators, and all Iowa stakeholders in a bi-partisan and very transparent way. In establishing the new and transparent process to include a study and task force effort, some consideration should be given to inviting interested members of this Commercial Property Tax Task Force to continue in service. This study will require an appropriation adequate to solicit, through a Request for Proposals process, a qualified and well-respected tax specialty firm to conduct a fiscal analysis and provide data to support a 21st Century Tax System Task Force process and provide for specific recommendations by December 15, 2009.

Tax Study Priorities

Recommending that agricultural and residential property values be disconnected was carefully considered as an immediate recommendation to the Governor. The Task Force recognized the impact and inequities that coupling these classes cause in the current property tax system. Although a majority of the Task Force members supported decoupling agricultural and residential values as an immediate recommendation, there was not a clear consensus. That, as well as a concern about the impact this recommendation might have on residential property tax payers, puts the decoupling of agriculture and residential property taxes as the first issue to be considered in the tax study.

There was unanimity among Task Force members to include these specific priorities as core issues in a two-year comprehensive tax study. Clarifying what property taxes pay for is important to tax payers. Across the state, there are tax-exempt properties that require local services, but local government is unable to recoup the cost of providing those services. Iowa embraces local government and school districts, but it is important that there are incentives and opportunities to encourage more efficiency and cost sharing. As noted many times, in many ways, “our current tax system is broken and needs to be fixed.”

1. Decouple agricultural and residential property valuations and limit all classes of property to 2% increases and decreases annually.

Rationale: Without question, this was the core issue in considering the Task Force’s immediate recommendations. A slim majority of the Task Force supported decoupling agriculture and residential property and endorsed it as a part of the recommendation which injects additional state funding into the school aid formula. But there was apprehension by some, for fear an unexpected consequence may result in an increase in amounts of residential property taxes. But the Task Force agreed the landscape and economic structure of Iowa has changed. The way in which Iowans farm and produce livestock and grain is much different than 30 years ago. New kinds of industry and new technology and energy-creation investment and production across the state require another way to look at how agriculture and residential property tax are valued. The Task Force reached consensus to include decoupling residential and agricultural valuation as the first, and most important, issue to be considered in the tax study.

2. Create a more transparent property tax system.

Rationale: It seems very difficult in the current system for most tax payers to understand exactly who may be responsible for increasing or decreasing property taxes or what property tax revenues are used to pay for. Over time, and for a variety of reasons, Iowa’s current tax system has become a confusing maze. It is expensive and onerous to adjust and make adaptations. First steps have been taken with the statewide appeals board, and the Department of Revenue should be authorized to take measures to ensure consistency in the valuation process across the state. Over the years, the level of complexity has made the system difficult to administer, and the system makes very little common sense to most. The Task Force is convinced there must be a better way. An overarching priority in the proposed tax study is to simplify the system. While 21st century technology will continue to allow for some improvements, the Task Force is

concerned about improving transparency for Iowa tax payers. Simplifying and clarifying how government determines and spends tax payers dollars will save time and money and may eliminate some of the “finger pointing” and confusion.

3. Improve efficiencies through sharing of local governmental services.

Rationale: Iowans look to their local communities and schools with great affection and loyalty. Iowans also believe that government and education should be of quality and efficiency. The Code of Iowa allows local government entities to enter into agreements (28E) to work more closely together to improve efficiency and services. But with the press of property taxes, more needs to be done. Local government is also constrained in what and how revenue is generated. With this and the changing population patterns in the state, it is critical that state incentives are developed and provided to encourage local governments to join together in expanding, creating, and implementing efficiencies without cutting services. It is imperative that this issue is a part of the tax study.

4. Review and analyze properties exempt from property tax.

Rationale: Across the state and in some concentrated regions, there are institutions and organizations that are tax exempt. In some communities, certain tax-exempt entities voluntarily pay for some local government services, but in most communities and counties, the costs for services are shifted to local government who must pass the cost of these services on to property tax payers. Local governments have no recourse. While some suggest that these tax-exempt properties make up for the tax loss by improving the local economy, often that is not case. Allowing local governments the authority to put in effect appropriate ordinances to address tax-exempt organizations would provide for local control which would allow decisions to be made in the best interest of the local property tax payer and tax-exempt institutions.

Other Critical Issues

There were a number of other issues discussed by the Task Force over its four day-long meetings. Presenters brought forward concerns that promulgated a number of critical issues that resonated with the Task Force as a result of Iowa's current tax system. In recommending the creation of a two-year comprehensive tax study, the Task Force brings the following critical issues forward and urges their consideration. These issues are not in any priority order.

- Review mobile home and manufactured housing property tax issues.
- Consider a new class of property to address the inequity between apartments and the class which includes condominiums and duplexes.
- Assist counties by shifting more mental health costs to the state.
- Examine tax increment financing (TIF) practices.
- Review how agricultural property tax is assessed and valued.
- Determine a fair method for taxing agricultural buildings.
- Improve methods at the state to more accurately determine tax policy impact.
- Examine how local governments could create revenue streams to offset property taxes.

Conclusion

Tax reform is a complicated issue. The Commercial Property Tax Task Force takes a first step with its recommendations. Reform is a monumental undertaking that requires leadership from the Governor, bi-partisan support in the legislature, and a healthy discussion with Iowans. The Task Force's charge is to recommend steps to reduce the inequities between commercial property tax and other classes. Implementing these immediate recommendations will be a major first step by providing a benefit to commercial property owners and, in some cases, to all classes of property. Investing available resources to implement recommendations this year will "stop the bleeding" for commercial property tax payers. Creating a 21st Century Tax System Study, focused on the Task Force Priorities, will provide a long-term solution to a tax system in need of critical reform.