



# State Representative Andrew Wenthe

# Statehouse News

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## Fiscal Year Ends on Positive Note

Fiscal year 2007 concluded on June 30 and fiscal year 2008 began on July 1. Preliminary reports on state general fund receipts indicate that revenue collections exceeded projections.

The fiscal year ended with 6.4% revenue growth. This rate of collections compares with the Revenue Estimating Conference (REC) estimate of 5.9% for fiscal year 2007. This higher rate of collections is a positive sign of the strength of Iowa's economy and the soundness of the state budget.

The REC estimated that fiscal year 2007 general fund receipts would grow by \$338.4 million, from \$5.770 billion to \$6.109 billion. The 6.4% growth rate helped to push the growth in receipts to \$367.6 million, \$29.2 million more than revenue estimates. However, most of this unexpected gain in revenues will be cancelled out by \$21.5 million in higher than expected tax refunds, resulting in a net surplus of \$7.7 million. (Money transferred into the budget should push this number higher.)

### Personal Income Tax

In fiscal year 2006, the state collected \$2.854 billion in personal income tax receipts, representing approximately 50% of the revenues collected by the state. The REC estimated that personal income tax receipts would grow 6.3% in FY 2007, an increase of \$179.7 million, for a total of \$3.034 billion. Personal income tax receipts were actually up 8.1%, an increase of \$231.7 million, for a total of \$3.086 billion.

### Sales and Use Tax

In fiscal year 2006, the state collected \$1.881 billion in sales and use tax receipts. These taxes represented approximately 33% of the revenues collected by the state. The REC estimated that sales and use tax receipts would grow by 1.3% in FY 2007, an increase of \$24.6 million, for a total of \$1.906 billion. Sales and use tax receipts were up 1.5%, an increase of \$28.9 million, for a total of \$1.91 billion.

### Corporate Income Tax

In fiscal year 2006, the state collected \$348.6 million in corporate income tax receipts, which represented 6.0% of the receipts collected. The REC estimated that corporate income tax receipts would increase by 26.4%, an increase of \$91.9 million, for a total of \$440.5 million in fiscal year 2007. Corporate income tax receipts were up 21.8%, an increase of \$76 million, for a total of \$424.6 million. This is \$15.9 million less than estimated.

### Closing the Books

Even though the fiscal year ended on June 30, there are financial transactions that may occur after that date, which are attributable to FY 2007. These transactions may change the final ending balance of the budget. The State has two months to close the state's books (until the end of August), with a detailed record of the accounts to the Legislature by October 1st.

The balance sheet currently has estimates of \$12.5 million in reversions, \$568.8 million in tax refunds, and a net of \$11.3 million

in accruals. Preliminary numbers indicate that taxes are coming in at \$590.3 million, which is \$21.5 million more than estimated.

Prior to the close of the fiscal year, the state general fund budget was estimated to spend \$5.360 billion of \$5.613 billion in revenues and transfers, with an estimated

ending balance of \$253.8 million. If the estimates for reversions and accruals are achieved, and tax refunds remain at the preliminary figure, then the ending balance should grow to \$261.5 million.

The State will allocate \$131.9 million of the ending balance to the property tax credit fund to provide

funding for property tax credits in FY 2008. If the \$261.5 million ending balance is achieved, the amount remaining after the allocation to the property tax credit fund will provide approximately \$53.5 million to the Senior Living Trust Fund and \$76.1 million to the reserve funds.

## Preschool Applications to Be Awarded Next Week

The Iowa Department of Education has received overwhelming requests for the new preschool program. As of the deadline of July 2, the department has counted 175 applications from a variety of school districts seeking approval.

With the demand exceeding funding, the department now must use specified criteria to determine the awards. The criteria were part of the legislation and must include all of the following provisions:

- Priority shall be given to districts that have a high percentage of children in poverty, and such children shall receive first priority for the programs.
- Priority shall be given to districts that do not have existing preschool programming within the school district boundaries.

- Consideration shall be given to school districts with established, high-quality community partnerships for the delivery of the preschool program services that are seeking to expand access.

- Consideration shall be given to the size of school districts in large, medium, and small categories in order for there to be equitable statewide distribution of preschool program services.

The programs must also assure that they will have a licensed teacher, be operational, and have sufficient number of staff by October 1. The instruction must be delivered in accordance with the applicant's curriculum as well.

This is the first year of the program and districts that receive awards will be funded through a preschool foundation aid formula



next year. That means districts that did not get approval for this year will be eligible to apply for next year's funding.

The state aid to implement the program is \$15 million for the first four years. Once a program receives the initial approval, the following year they will utilize the preschool foundation aid at .6 weighting per pupil.

## No More Bullying in Schools

Starting this fall, school districts will have to implement an anti-bullying and anti-harassment policy into their comprehensive school plan. The policy will protect every child in every school district, regardless of any characteristic or trait.

By September 1 of each school year, a policy must be adopted and in place for the school year. The policy must include information that declares harassment and bullying in schools, on school property,

and at any school function, or school-sponsored activity regardless of its location, as against state and school policy.

A copy of the policy, and the responsibilities set forth in the policy, must be made available to all school employees, volunteers, students, and parents or guardians. The guidelines make clear to all students, teachers, and staff what types of conduct are prohibited at school and the consequences for such behavior.

The Iowa Department of Education is making it clear to districts that they will enforce this new law in every district. Right now the department is in the process of adopting rules that align with the legislation.

This week, the department spoke before the Legislature's Administrative Rules and Review Committee to preview their intended action. If a district does not comply with the law, they will be

subject to an accreditation visit by the department.

The law specifically says a safe and civil school environment is necessary for students to learn and achieve at high academic lev-

els. Harassing and bullying behavior can seriously disrupt the ability of school employees to maintain a safe and civil environment, and the ability of students to learn and succeed. Therefore, it is the policy of

the State of Iowa that school employees, volunteers, and students in Iowa schools shall not engage in harassing or bullying behavior.

## Eighth Annual “Back to School” Sales Tax Holiday

The eighth annual Iowa sales tax holiday will begin at 12:01a.m. on Friday, August 3rd and will end at midnight on Saturday, August 4th.

The tax holiday does not include Sunday. Iowa is one of just 13 states that provide sales tax holidays.

Eligible items will be exempt from both the state and local option sales taxes. Legislation adopted in 2002 established annual sales tax free holidays. This will help Iowa families get ready for the school year by saving them about \$1.6 million in sales taxes.

### Clothing Priced Under \$100

The exemption only applies to clothing or footwear costing less than \$100 - but not items designed primarily for athletic or protective

use or accessories such as jewelry, watches, handbags, wallets, or rented items. It also does not apply to clothing alterations or repairs.

Iowa Department of Revenue rules clarify eligibility for the sale tax exemption, including:

- Split-Items: Items normally sold as one unit cannot be separated in order to lower the cost of component items to less than \$100.
- A manufacturer's coupon or rebate does not reduce an items price -- but a store issued coupon does reduce the price to determine whether it cost less than \$100 and is tax exempt.
- Gift Certificates: Items bought with a previously issued gift cer-



tificate are tax exempt. The sale of gift certificates is already tax exempt, so no tax refund is owed the buyer of the gift certificate.

- A layaway sale is tax exempt, even if the final payment is made after the tax holiday period.
- A mail order sale is tax exempt, if ordered and paid for during the tax holiday period, even if delivered after the tax holiday period.

For more information, including a list of items eligible for the tax exemption, contact the Iowa Department of Revenue by phone at (515) 281-3114, by email at [idrf@idrf.state.ia.us](mailto:idrf@idrf.state.ia.us) or by visiting their internet website at <http://www.state.ia.us/tax/educate/holiday1.html>

## State’s Destination Park Is Moving Ahead

Honey Creek Resort Park near Lake Rathbun in south central Iowa is on its way to becoming a reality. The planned opening date of the new facility is the summer of 2008.

This will be the State’s first destination park. It will include a 105-room lodge, convention center accommodating up to 300 people, restaurant, lounge, indoor aquatic center, 18-hole championship golf course, marina, and hiking and biking trails.

The Natural Resources Commission approved a \$19.3 million contract to Hansen Construction, Inc. of Johnston, Iowa to construct



the resort complex. Construction of the lodge, restaurant, and aquatic center should begin yet this summer. Construction of the golf course is already underway.

The commission had previously approved contracts with Regency Hotel Management, a Sioux

Falls, South Dakota-based hotel/resort management company, to manage the facilities. TSP Engineering, also from Sioux Falls, is providing design and engineering for the facilities in the park and will serve as the DNR's construction manager.

The Department of Natural Resources notes that the resort complex has been designed to accommodate groups and families with a wide range of outdoor interests and experience. The project also highlights a strong conservation ethic with the lodge facilities designed to meet Leadership in

Energy and Environment Design (LEED) certification standards and the golf course being built to meet Audubon Cooperative Sanctuary Program certification.

The principal financing source for the project is \$28 million in revenue bond proceeds the Legislature authorized in 2005. Rathbun Regional Water, Chariton Valley Electrical Cooperative and Iowa Telecom are contributing more than \$2 million in utility systems. Appanoose and Monroe counties, Rathbun Lake Resort, Inc. and private contributors have committed more than \$2 million in cash, some of which will be repaid from hotel/motel tax receipts.

### Family Cabins

Another portion of the destination park, the construction of 28 family and group cabins, will be part of a later phase in the project. Due to costs of the project exceeding their initial estimates, the department will be seeking additional funding for this second phase.

The department said the goal is to be able to open the family cabins in the fall of 2009 or early 2010. In the meantime, the department has recently constructed four cabins in the existing state park across the bay on Lake Rathbun. Future plans call for a pedestrian bridge to link the two parks.

### Project Administrator

The department has hired Terry Montgomery as project administrator for construction of Honey Creek Resort Park. Mr. Montgomery is the former Chief Financial Officer for the Science Center of Iowa, helping to oversee construction of their \$62 million facility in Des Moines. He also has worked as a Senior Vice President for Younkers Department Stores, and most recently as a financial consultant for Des Moines' Blank Park Zoo. Mr. Montgomery started on June 30<sup>th</sup>.

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## Online Application for Food Assistance Now Available

The Department of Human Services (DHS) has introduced a new website: [yesfood.iowa.gov](http://yesfood.iowa.gov) to allow individuals and families to apply for food stamps online. DHS has developed this mechanism to adapt with the changing technology, and due to the increased use of computers by all Iowans, including free public access at public libraries.

In years past, applicants for food stamps, known in Iowa as food assistance, needed to make an appointment at any of the 99 DHS county offices. In early 2005, the DHS launched a toll-free customer call center (877-937-3663) that helped Iowans fill out the application by phone. DHS Director Kevin Concannon stated that the

goal of this program is to eliminate some of the barriers that have deterred eligible people from applying, and to streamline the process for staff.



Regardless of how the application is completed, DHS staff will verify income, resources, household size, and other variables before issuing benefits. The maximum income for eligible households is about \$2,100 a month for a family of four. The resource limit per household, excluding one car, is \$2,000. The resource limit is higher for the elderly and disabled individuals. The total monthly assistance, which is entirely federal funds, is about \$22 million in Iowa.

Currently, Iowa now ranks 22<sup>nd</sup>, with an estimated 61% of eligible recipients actually receiving benefits. Iowa was in the bottom tier of states several years ago. In April of this year, 240,000 Iowans in 108,000 households received food assistance. This was up from about 154,000 individuals in the summer of 2003. The average benefit is about \$200 a month per household.

The food assistance program is the second DHS program that accepts online applications. Applications for Iowa's health insurance program for children, known as Healthy and Well Kids in Iowa, are accepted online at [hawk-i.org](http://hawk-i.org).

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## “Pay the Tax and Relax” Tax Amnesty Web Site

The Iowa Department of Revenue unveiled a “Pay the Tax and Relax” slogan for the upcoming state tax amnesty along with a new web site and toll-free number. Iowans may call 1-877-4BAKTAX (1-877-422-5829) toll-free or visit the state web site

[www.iowataxamnesty.gov](http://www.iowataxamnesty.gov) for information regarding the tax amnesty program, including amnesty application forms.

Governor Culver signed legislation establishing a two-month tax

amnesty period from September 4, 2007, through October 31, 2007.

Taxes must have already been delinquent as of last December 31, 2006, which includes failure to file and liabilities not yet established or reported as of that date.

The amnesty applies to sales, income, auto rental, fuel, franchise, hotel/motel, construction equipment, petroleum diminution, inheritance/estate, tobacco, and illegal drug taxes. However, this does not apply to local property taxes or motor vehicle use taxes.

**No Penalties / Less Interest**

The Iowa Department of Revenue must forgive all penalty fees and 50% of the interest. In addition, the department cannot seek civil or criminal prosecution.

In return, a taxpayer must give up any challenge to the legality of the tax or the amount owed, unless adjusted by a federal.

The taxpayer cannot be under investigation or be a party to a pending criminal proceeding involving tax nonpayment or fraud.

**Last Amnesty Until 2025**

The law states it is the intent of the legislature not to offer a future amnesty until at least January 1, 2025. Iowa's only previous tax amnesty was in 1986, which

brought in \$36.5 million in back taxes from 6,500 taxpayers.

There are currently 8,000 to 10,000 delinquent taxpayers. The department estimates that the state will receive \$54 million from the 2007 amnesty, including \$16 million from those who had not previously filed tax returns.

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## Iowa Welcome Centers to Extend Hours

The Department of Economic Development (DED) and Governor Culver have announced that, for the first time, the four interstate Iowa Welcome Centers will open for extended hours. This is due to an additional \$250,000 in funding appropriated to the Iowa Tourism Office during the 2007 session.

The four state-owned Welcome Centers are located north of Davis City on I-35, south of Sioux City near Sergeant Bluff on I-29, northeast of Underwood on I-80 eastbound and west of Wilton on I-80 westbound. They will now be open year-round from 8 a.m. to 6 p.m. daily (with the exception of certain holidays). Each center now employs two full-time state-

certified travel counselors. Any Iowa event, attraction, lodging property or community may display their brochures at no charge in any of the state-operated Welcome Centers.

Certified travel counselors at each center can assist with directions, suggest additional destinations and answer travel-related questions. Iowa's Welcome Center system includes four state-operated interstate centers and 16 privately-owned partnership locations.

The interstate Welcome Centers are a partnership between DED and the Department of Transportation. Each center has a unique theme and incorporates work from Iowa artists into its design, such as



the Lewis and Clark theme in the Sergeant Bluff location.

In 2006, more than 200,000 groups visited an Iowa Welcome Center. The summer travel months of June, July and August accounted for 41% of the total visits. According to the Travel Industry, tourism is a \$5.4 billion industry in Iowa, employing more than 62,300 people statewide and generating more than \$280 million in state taxes.

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## Unemployment and Injury Benefits Increase

The Department of Workforce Development (WFD) has announced that the maximum weekly benefits paid to jobless Iowans and to workers injured on the job has increased starting in July. The rise in benefits was triggered by an increase in wages covered by unemployment insurance.

The average annual wage for insured Iowa workers increased to \$34,094.47 in 2006 from the 2005

rate of \$32,867.66. The new benefit payment schedules will apply to people who file new unemployment insurance claims after July 1, 2007, and to workers who are injured on or after July 1, 2007.

Under Iowa law, the number of people covered by unemployment insurance and their gross wages are primary elements of a formula WFD uses each year to compute

maximum and minimum benefit amounts paid to jobless workers.

WFD noted that only half of those eligible for unemployment insurance benefits have enough earnings to qualify for the maximum benefit. Out of an estimated total labor force of 1.7 million, 1.5 million workers were covered by the Iowa unemployment insurance program in 2006.

As of July 1, the workers' compensation maximum weekly benefit for temporary total disability, healing period, permanent total

disability and death rose to \$1,311. For permanent partial disability, the weekly maximum is \$1,206.

The new unemployment Weekly Benefit Amounts appears below. The source is the Department of Workforce Development.

Number of Dependents	Maximum Weekly Benefit Amount Effective 7-1-07	Minimum Weekly Benefit Amount Effective 7-1-07	Current Maximum Weekly Benefit Amount
0	\$347	\$51	\$334
1	\$360	\$54	\$347
2	\$373	\$56	\$360
3	\$393	\$59	\$379
4 or more	\$426	\$62	\$410

## Gaming Facilities See Increased Revenues

The Iowa Racing and Gaming Commission has announced that revenues from all gaming facilities saw an increase of 14.9 percent for fiscal year 2007 over fiscal year 2006. Fiscal year 2007 closed with gaming revenues of \$1.32 billion, up from \$1.15 billion in fiscal year 2006.

### Four New Facilities

Iowa has seventeen gaming facilities – three racetracks/casinos and fourteen boats. Most of the increase is due to the addition of four new gaming facilities in Worth County, Emmetsburg, Riverside and Waterloo, which the Legislature authorized in 2004. The three racetrack/casinos also showed a gain of about \$70 million.

### Infrastructure, Quality of Life

Taxes that are collected by the state on the revenues are deposited into the Rebuild Iowa Infrastructure Fund (RIIF), but the first \$60 million is deposited into the general fund. Moneys in RIIF are kept

separate from the general fund and are appropriated for the state's infrastructure needs as well as some quality of life issues.

The infrastructure needs of state-owned buildings vary from simple routine maintenance, to roof replacements, to new construction. Many state agencies have older buildings that, if maintenance is not kept up, will deteriorate to a point where repairs become costly. Some of the money is also used for the renovation of the State Capitol Building. One of the most recent projects has been the West Capitol Terrace project. Located on the West side of the Capitol, this terrace connects the Capitol with a portion of downtown Des Moines called East Village. It also restores the original park-like entrance to the Capitol.

While many Iowans may not notice the infrastructure improvements to state-owned buildings, many of them do notice, or know about, the quality of life issues that are funded from RIIF. Recreational trail grants, historical site preserva-

tion grants, REAP (Resource Enhancement and Protection program), and restoration of Iowa's battle flag collection are just a few of the programs that receive appropriations from RIIF. There are also appropriations for air and water quality monitoring, the closing of agricultural drainage wells, watershed improvements, and soil conservation practices.

### Charitable Giving

In addition to funding the infrastructure needs of the state, revenues from gaming are also directed back to cities, counties and non-profit groups in the form of charitable giving. By law, each year three percent of the adjusted gross receipts of gaming revenues from all gaming facilities must be directed to educational, civic, public charitable, patriotic or religious uses.

Information about all Iowa's gaming facilities can be found on the Iowa Racing and Gaming website at [www.iowa.gov/irgc](http://www.iowa.gov/irgc).

## Iowa Lottery Reports Strong Sales in FY 2007

The Iowa Lottery reports strong sales in fiscal year 2007. April is the latest month that the Lottery has sales figures available, but all indications point to an increase by more than seven percent overall of existing lottery products. However, overall sales will be down following the discontinuation of the TouchPlay machines in 2006.

### Sales Up for FY 2007

Sales of instant scratch tickets and pull tab tickets were up 19 percent compared to one year ago.

Powerball sales for the year were down about 15 percent through April. Sales have improved somewhat with recent changes to increase the starting jackpot from \$10 million to \$15 million and raise the next prize level from \$100,000 to \$200,000.

Hot Lotto sales were up about 46 percent. A large jackpot, \$19.9 million won by an Indianola man, helped to boost Hot Lotto ticket sales. This was the largest jackpot since the inception of the game in 2002.

### Unclaimed prizes

The Lottery makes every effort to inform the public about unclaimed prizes in its games, particularly when the prizes are coming close to their expiration dates. Oftentimes the Lottery is successful in its efforts, but even then a few larger prizes have gone unclaimed. These include a \$200,000 winning Powerball ticket sold in Des Moines that expired in March and a ticket winning the top prize in Iowa's \$100,000 Cash Game that was sold in Davenport and expired in May.

The Lottery will continue to make efforts to inform the public of unclaimed prizes. A list of unclaimed prizes in Iowa lotto games is available on the Iowa Lottery's website at [www.ialottery.com](http://www.ialottery.com). Posters are also put up in retail locations across Iowa.

### Over \$1 billion to the State

Lottery proceeds are required to be deposited in the general fund to assist in funding various state programs. This has not always

been the case. Over the years, the Legislature earmarked lottery proceeds for various programs such as the Iowa Plan and an environmental program called the CLEAN fund.



Since the Lottery's inception, the proceeds have funded various state programs as shown below. As of fiscal year 2006, lottery proceeds helping to fund state programs topped the \$1 billion mark.

The following shows the various programs which have received funding from lottery proceeds.

- General Fund: \$832,829,402;
- Iowa Gamblers Treatment Fund: \$13,072,113;
- Iowa Plan (from 1986 through 1990): \$170,318,439;
- CLEAN fund (fiscal year 1991): \$325,894,355;
- Special Appropriations (specific purposes within the state budget): \$13,773,572.

## Grants Announced for the Endow Iowa Program

Governor Chet Culver, the Department of Economic Development (DED), and the Iowa Community Foundations announced the 2007 grant recipients through the Endow Iowa Program. The program encourages individuals and businesses to invest in their region to improve the quality of life and aid nonprofit programs and projects.

The matching grants were awarded this year to the Hardin County Community Foundation, \$20,000; the Kossuth County Community Foundation, \$10,000; and the Community Foundation of Greater Story County, \$20,000. The \$50,000 total in grants, made available through the Grow Iowa Values Fund, will be available for one more year.

The Endow Iowa Grant program has leveraged nearly \$1.1 million in local contributions, creating sustainable, philanthropic assistance for communities across the state. Community Foundations that do not have a gambling presence in the community, receive an allocation from gambling revenues made on an annual basis. Those funds are distributed in the fall.