

2010 SESSION FISCAL REPORT

**83rd General Assembly
State of Iowa**

**Fiscal Services Division
Legislative Services Agency
August 2010**

Ways and Means Acts – Fiscal Notes

General Fund Revenue Report
(Dollars in Millions)

| Act | Short Title/Provision | Revenue / Tax Type | General Fund Fiscal Impact Estimate | | |
|----------------------------------|---------------------------------------------------------------------------------|-------------------------------|----------------------------------------|------------------|------------------|
| | | | FY 2010 | FY 2011 | FY 2012 |
| SF 2380 | Tax Credit Reductions and Review Act | Corporate & Individual Income | \$ 0.000 | \$ 4.500 | \$ 52.100 |
| SF 2088 | Government Reorganization and Efficiency Act - Publication Modernization | Fees | 0.000 | 0.360 | 0.000 |
| SF 2088 | Government Reorganization and Efficiency Act - DAS Sale of Property | Miscellaneous | 0.000 | 13.800 | 0.000 |
| SF 2088 | Government Reorganization and Efficiency Act - Shipment of Wine | Liquor Transfers | 0.000 | 0.375 | 0.413 |
| SF 2088 | Government Reorganization and Efficiency Act - Gambling Setoffs | Miscellaneous | 0.000 | 4.600 | 4.600 |
| SF 2088 | Government Reorganization and Efficiency Act - Additional Revenue Examiners | Corporate & Individual Income | 0.000 | 2.700 | 2.700 |
| SF 2088 | Government Reorganization and Efficiency Act - Disciplinary Filing Fee | Fees | 0.000 | 0.006 | 0.006 |
| SF 2088 | Government Reorganization and Efficiency Act - ILEA Pilot Training Program | Fees | 0.000 | 0.025 | 0.025 |
| SF 2378 | FY 2011 Justice System Appropriations Act - Court Costs and Fine Increases | Fees | 0.000 | 0.000 | 9.100 |
| SF 2378 | FY 2011 Justice System Appropriations Act - DCI Gaming Enforcement | Gaming Receipts | 0.000 | -8.900 | 0.000 |
| SF 2383 | Debt Collection Act | Fines and Fees | 0.000 | 5.600 | 4.500 |
| SF 2387 | Blood Lab Sales Tax Exemption Act | Sales Tax | 0.000 | -0.200 | -0.420 |
| HF 2531 | FY 2011 Standings Appropriation Act - Vets Home Fed Construction Reimbursement. | Miscellaneous | 0.000 | 0.727 | 0.000 |
| HF 2531 | FY 2011 Standings Appropriation Act - Disaster-Related Loss Deduction | Miscellaneous | -0.100 | -0.100 | 0.000 |
| Total Revenue Adjustments | | | \$ -0.100 | \$ 23.493 | \$ 73.024 |

NOTE: Estimates for SF 2387 are contingent on a qualifying blood lab locating in Iowa.

SF 2380 – Tax Credit Reductions and Review ActAnalyst: Jeff Robinson (Phone: 515-281-4614) (jeff.robinson@legis.state.ia.us)Fiscal Note Version – Final Version

Senate File 2380:

- Creates a Legislative Tax Expenditure Committee of the Legislative Council and establishes the membership and duties of the Committee, including a five-year schedule for reviewing existing tax credits beginning in 2011.

| Review Year | Tax Credit Program | Code Citation |
|-------------|-------------------------------------------|------------------------------------------|
| 2011 | High Quality Jobs Program | Sections 15.326 to 15.337 |
| 2011 | Research Activities Credit | Sections 15.335, 15A.9, 422.10, & 422.33 |
| 2011 | Franchise Tax Credit | Sections 422.11 & 422.33 |
| 2011 | Earned Income Credit | Section 422.12B |
| 2012 | Iowa Fund of Funds | Sections 15E.61 to 15E.70 |
| 2012 | Urban Renewal Tax Increment Financing | Section 403.19 |
| 2012 | Targeted Jobs Withholding Credit | Section 403.19A |
| 2012 | Tax Increment Financing-Sales Tax | Section 423B.10 |
| 2012 | School Tuition Organization Credit | Sections 422.11S & 422.33 |
| 2012 | Tuition/Textbook Credit | Section 422.12 |
| 2013 | Child Care and Child Development Credits | Section 422.12C |
| 2013 | Endow Iowa Credit | Section 15E.305 |
| 2013 | Redevelopment Credit | Section 15.293A |
| 2013 | Disaster Recovery Housing Credit | Sections 16.211 & 16.212 |
| 2013 | Film, Television, and Video Credit | Section 15.393 |
| 2014 | Qualified Business & Seed Capital Credits | Sections 15E.41 to 15E.47 |
| 2014 | Historic Preservation Credit | Chapter 404A |
| 2014 | Wind Energy Credit | Chapter 476B |
| 2014 | Renewable Energy Credit | Chapter 476C |
| 2014 | Ethanol Promotion Credit | Section 422.11N |
| 2014 | E85 Gasoline Credit | Section 422.11O |
| 2014 | Biodiesel Blended Fuel Credit | Section 422.11P |
| 2015 | Agricultural Asset Transfer Credit | Section 175.37 |
| 2015 | Claim of Right Credit | Section 422.5 |
| 2015 | S-Corporation Shareholders Credit | Section 422..8 |
| 2015 | Minimum Tax Credit | Sections 422.11B, 422.33, & 422.60 |
| 2015 | Assistive Device Credit | Section 422.33 |
| 2015 | Charitable Conservation Credit | Sections 422.11W & 422.33 |
| 2015 | Motor Vehicle Fuel Credit | Section 422.110 |
| 2015 | New Jobs Credits | Section 422.11A |
| 2015 | Enterprise Zone Program | Sections 15E.191 to 15E.198 |

- Reduces the annual limit on specific tax credit programs administered by the Department of Economic Development from the current \$185.0 million to \$120.0 million. The change is effective for FY 2010.
- Suspends the Film Tax Credit Program by prohibiting the registration of new projects until July 1, 2013.
- Alters the Supplemental Research Activities Credit by increasing the current 6.5% maximum credit to 10.0% for companies with gross annual sales less than \$20.0 million. For companies with higher gross annual sales, the tax credit is reduced from 6.5% to 3.0%. The change impacts only future awards.
- Lowers the annual cap for some tax credit programs and discontinues other tax credit programs. Impacted tax credit programs include:
 - Accelerated Career Education (ACE) Withholding Tax Credit
 - Economic Development Region Revolving Loan Fund Tax Credit
 - Endow Iowa Tax Credit
 - Iowa Fund of Funds Tax Credit
 - Venture Capital Investment Tax Credit
 - Value-added Agricultural Products Refundable Tax Credit
 - Historic Preservation and Cultural & Entertainment District Tax Credit
- Reenacts the Estate Tax to the extent a federal pick-up tax is allowed in the future.
- Requests that the Legislative Council establish 2010 interim committees to study the Enterprise Zone Program and the Industrial New Jobs Training Program (260E) with reports due to the General Assembly by January 15, 2011.

Assumptions

- Division II – Legislative Tax Expenditure Committee – The creation of a Legislative committee will have per diem and other minor administrative costs. It is also assumed that although the Act does not appropriate any funds for technical assistance to the Committee, the review work of the Committee will require significant staff time by the Departments of Revenue and Economic Development, as well as legislative staff. Additional reporting requirements may also be expected of other agencies and local governments. If the review identifies inefficient or ineffective tax preferences and those items are improved or ended, the review could substantially improve the economic efficacy of the State's overall tax incentive policy.
- Division III – Reduction in the Aggregate Annual Allowable Tax Credit Cap – The Act reduces the current annual cap for three major Department of Economic Development (DED) business subsidy programs, Enterprise Zones, High Quality Jobs, and Film Tax Credits. The current annual tax credit cap is \$185.0 million and the Act reduces the cap to \$120.0 million effective for FY 2010. With suspension of the Film Tax Credit program and given the present economic environment, it is assumed for this fiscal impact estimate that the lower cap will have no effect on tax credit awards in FY 2010 or FY 2011, but will reduce overall awards made in FY 2012 and for the foreseeable future by \$65.0 million per year. Since tax credit redemptions are spread over several years after they are awarded, the impact on net General Fund revenue in the initial years is projected to be low.
- Division IV – Suspension of the Film Tax Credit Program – This projection assumes that without legislative action to suspend the Film Tax Credit program and/or lower the current \$185.0 million aggregate tax credit cap, the DED will begin to approve additional film projects in calendar year 2011. This projection further assumes that if a \$120.0 million aggregate cap is enacted, the DED will not resume approving film projects in the foreseeable future.

- Division V – Supplemental Research Activities Credit – The Act enhances the supplemental credit for companies with annual gross sales less than \$20.0 million and reduces the supplemental credit for companies with higher gross sales. The changes will not impact tax credit agreements already in place and there is often a lag between when a project is approved for the supplemental credit and when the credit is actually redeemed. Therefore, the impact on net General Fund revenue is expected to be low in the initial years.
- Division VI – Accelerated Career Education (ACE) Withholding Tax Credit – The maximum annual cap is reduced from \$6.0 million to \$5.4 million. The ACE program is currently not operating at its full \$6.0 million cap and the impact of the lower cap is calculated from projected usage, not from the current cap.
- Division VII – Economic Development Region Revolving Loan Fund Tax Credit – The Act repeals this tax credit.
- Division VIII – Endow Iowa Tax Credit – The maximum annual cap is reduced from \$3.0 million to \$2.7 million.
- Division IX – Fund of Funds Tax Credit – This tax credit ensures that investors in the Fund of Funds will receive their entire investment back, along with an agreed to rate of return when their specified investment in the Fund of Funds is liquidated. If the returns received after the specified investment is liquidated are insufficient to cover the investment, contingent tax credits sufficient to make the investor whole are activated. Since the first investment is not scheduled to be liquidated for several years, the actual amount of tax contingent tax credits that will be necessary is not known. Without the language in the Act, the maximum liability to the State General Fund is \$100.0 million, with a maximum annual redemption of \$20.0 million per year. With the language in the Act, the maximum liability to the State General Fund is \$60.0 million, and the maximum annual redemption remains at \$20 million per year.
- Division X – Venture Capital Investment Tax Credit – The Act repeals this tax credit.
- Division XI – Refundable Value-Added Agriculture Tax Credits – Code Section 15.333(3) allows certain projects approved under the High Quality Jobs Creation Act to receive a portion of their tax credits as refundable tax credits. The maximum annual amount of refundable credits the DED may approve is \$4.0 million. The \$4.0 million awarded by the DED is part of the aggregate tax credit cap (see Division III above). This fiscal estimate assumes that under current law, a sufficient volume of qualified projects will occur each year to fully utilize the refundable \$4.0 million and the refunds will impact the State General Fund in the fiscal year following the award.
- Division XII – Historic Preservation and Cultural and Entertainment District Tax Credit – The maximum annual amount of Historic Preservation Tax Credits that may be awarded for one tax year is reduced from \$50.0 million to \$45.0 million. The change first impacts FY 2013 and the first full year of impact is FY 2014. The tax credits are refundable so the impact of the lower credit limit is immediate.
- Division XIII – Iowa Estate Tax Reenactment – Previously, federal estate tax law allowed states to impose a tax against an estate, with the dollar amount of the state tax reducing the federal estate tax due dollar-for-dollar. This was commonly referred to as the “pick-up tax.” The federal government rescinded the pick-up tax provision in the mid-2000’s as part of a total phase-out of the federal estate tax. The federal estate tax and the corresponding pick-up tax provision are scheduled to return after December 31, 2010. Should this occur, Division XIII would allow the State of Iowa to receive revenue from the pick-up tax without increasing the overall tax on an estate.
- Divisions XIV and XV – Interim Study Committees – Requests that the Legislative Council create two interim study committees, one to evaluate the Enterprise Zone Program and one to evaluate the Industrial New Jobs Training Program (260E).

Fiscal Impact

The following table provides the projected direct impact to net General Fund revenue associated with the tax credit changes contained in the Act.

| Estimate of Reduction in Tax Credit Redemptions & Increase in Estate Pick-up Tax Collections - Net General Fund Revenue Increase by Fiscal Year (\$ in millions) | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|---------------|----------------|----------------|----------------|
| Bill Division | | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| III | Aggregate Cap at \$120.0 million | \$ 0.0 | \$ 0.0 | \$ 3.0 | \$ 5.4 |
| IV | Film Suspension | 0.0 | 19.0 | 35.7 | 24.8 |
| V | Research Activities | 0.0 | 0.0 | 0.3 | 1.0 |
| VI | Accelerated Career Education | 0.4 | 0.4 | 0.4 | 0.4 |
| VII | Econ. Develop. Region | 0.0 | 0.0 | 0.0 | 0.0 |
| VIII | Endow Iowa | 0.1 | 0.2 | 0.2 | 0.2 |
| IX | Fund of Funds | 0.0 | 0.0 | 0.0 | 0.0 |
| X | Venture Capital Investment | 0.0 | 0.0 | 0.0 | 0.0 |
| XI | Value-added Ag Refundable | 4.0 | 4.0 | 4.0 | 4.0 |
| XII | Historic Preservation | 0.0 | 0.0 | 2.3 | 5.0 |
| XIII | Estate Pick-up Tax | 0.0 | 28.5 | 46.2 | 46.9 |
| | | <u>\$ 4.5</u> | <u>\$ 52.1</u> | <u>\$ 92.1</u> | <u>\$ 87.7</u> |

Longer term, the Act lowers annual tax credit awards and redemptions by approximately \$70.9 million and increases potential annual estate tax revenue by \$47.0 million through reenactment of the estate pick-up tax. The Act also lowers the potential program lifetime liability of the Fund of Funds Tax Credit by \$40.0 million, although that amount is not included in the table below.

| Estimate of Reduction in Tax Credit Redemptions & Increase in Estate Pick-up Tax Collections - Net General Fund Revenue Increase (\$ in millions) | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| | Max Impact Per FY |
| Aggregate Cap at \$120.0 million, Value-Added Ag Refundable, and Research Activities Credit Changes | \$ 65.0 |
| Accelerated Career Education | 0.6 |
| Endow Iowa | 0.3 |
| Historic Preservation | 5.0 |
| Estate Pick-up Tax | 47.0 |
| | <u>\$ 117.9</u> |

In addition, the Act requires a projected \$200,000 to \$300,000 annually in State agency staff time (primarily the Departments of Revenue and Economic Development as well as legislative staff) to provide assistance to the Legislative Tax Expenditure Committee. The Act does not provide funding so the expenditures are assumed to require the utilization of existing agency resources.

Funding Source

All changes to the tax incentive programs contained in the Act impact the State General Fund.

Effective Dates

This Act is effective July 1, 2010. However, the Film Tax Credit suspension (Division IV), Endow Iowa Tax Credit changes (Division VIII), Iowa Fund of Fund changes (Division IX), and Value-Added Agriculture Refundable Tax Credit changes (Division XI) are effective on enactment.

Enactment Date

This Act was approved by the General Assembly on March 22, 2010, and signed by the Governor on April 15, 2010.

Sources

Department of Revenue
Legislative Services Agency Analysis

SF 2383 – Debt Collection ActAnalyst: Jennifer Acton (Phone: 515-281-7846) (jennifer.acton@legis.state.ia.us)Fiscal Note Version – Final Action

Senate File 2383 relates to the collection of debt obligations owed to the State and cities and establishing the Office of the State Debt Coordinator located in the Department of Revenue, providing a fee, and including effective date provisions.

The summary chart below is an estimate of the overall fiscal impact. Not all departments and agencies provided estimates. In addition, some of the concepts contained in SF 2383 will enhance collections; but the additional revenue cannot be estimated. The estimates also took into consideration the amount of debt that may have been collected under another Program.

Of the total revenue estimate, approximately 9.0% includes surcharges that are deposited to the General Fund as well as other funds such as the Crime Victim Compensation Fund and local governments. That amount cannot be estimated.

Overall Fiscal Impact Summary

| Program | FY 2011 | | FY 2012 | |
|---------------------------------------------------|---------------------|---------------------|-------------------|---------------------|
| | Est. Cost | Est. Revenue | Est. Cost | Est. Revenue |
| Court Debt Set Off Priority | \$ 10,000 | unknown | \$ 0 | unknown |
| County Treasurer Vehicle Registration Collections | 60,000 | unknown | 0 | unknown |
| Taxpayer Public/Private Utility Customer Match | 0 | 0 | 0 | 1,700,000 |
| State Debt Coordinator | 290,000 | 0 | 270,000 | 0 |
| Liens in Civil Action | 0 | unknown | 0 | unknown |
| Debt Settlement Program | 0 | 350,000 | 0 | 700,000 |
| Assignment of All Debt to the CCU at 30 Days | | 2,000,000 | 0 | 2,000,000 |
| Assignment of Debt to the CCU for One Year | 0 | 0 | 0 | 0 |
| Minimum for County Attorney Collections | 0 | 56,000 | 0 | 56,000 |
| Debt to Private Debt Collector | 0 | unknown | 0 | unknown |
| Payment on Date of Imposition | 0 | unknown | 0 | unknown |
| Debt Amnesty Program | 750,000 | 3,200,000 | 0 | 0 |
| | <u>\$ 1,110,000</u> | <u>\$ 5,606,000</u> | <u>\$ 270,000</u> | <u>\$ 4,456,000</u> |

CCU = Centralized Collections Unit (Department of Revenue)

Section 1 – Court Debt Priority Ranking For Setoffs

Background

In situations of multiple claims to payments recovered through the Income Setoff Program, after deducting any tax debt owed, priority is given in the following order:

1. Child Support Recovery Unit or Foster Care Recovery Unit
2. College Student Aid Commission
3. Department of Inspections and Appeals
4. Clerk of District Court
5. Other State Agencies

According to the Department of Revenue, this list was established in the 1980s based on the order the agencies signed up for the Program. The Program is currently administered by the Department of Administrative Services (DAS).

This Section moves the Clerk of Court (Judicial Branch) to second position on the priority list.

Assumptions

- The Department of Administrative Services (DAS) offsets the money and returns the funds to the respective department or agency to be applied to the various funding sources.
- In FY 2009, the College Student Aid Commission collected approximately \$535,000 for the student loan program through setoff collections. The majority of the collections were for federal and private loans.
- In FY 2009, the Department of Inspections and Appeals collected approximately \$900,000 through setoff collections for overpayments by the Department of Human Services (DHS) and incorrect payments in DHS assistance programs.
- There will be programming costs to the Department of Administrative Services (DAS) – Information Technology Enterprise (ITE) to modify both the vendor and offset systems.

Fiscal Impact

The fiscal impact to DAS is approximately \$10,000 for programming costs. This Section may result in additional receipts to the General Fund or other funds resulting from the collection of debt, but the amount cannot be estimated. The Judicial Branch has a large number of offsets of varying dollar amounts that may or may not impact the offsets of the College Student Aid Commission and the Department of Inspections and Appeals.

Sections 2, 4, 5, 7, 14, 15, 23, and 26 – County Treasurer Collection for Vehicle Registrations

Background

County treasurers are required to refuse to renew a vehicle registration if the treasurer knows that the person has a delinquent account, charge, fee, loan, taxes, or other indebtedness owed to or being collected by the State beginning January 1, 2011. The debt has to be paid before the county treasurer can renew the vehicle registration. The Motor Vehicle Division of the Department of Transportation receives 96.0% of its budget from the Road Use Tax Fund (RUTF) and 4.0% from the Primary Road Fund.

These Sections specify it is the intent of the General Assembly that the county treasurers begin collecting delinquent court debt at the time a person renews a motor vehicle registration beginning July 1, 2011. The Judicial Branch is charged with developing a plan to implement this and is required to submit the plan to the General Assembly on or before December 1, 2010.

These Sections allow the Department of Revenue to provide the county treasurers with access to confidential information required for the collection of delinquent taxes and make the county treasurers subject to confidentiality requirements and penalties.

Assumptions

- The Department of Revenue will adopt administrative rules to implement the collection program for county treasurers.
- If the person renewing their vehicle registration chooses to pay their delinquent taxes with the county treasurer, a \$5 processing fee will be charged and deposited in the county general fund.
- In FY 2008, there were approximately 4.1 million vehicles registered in the State of Iowa. This includes automobiles, trucks, motor homes, buses, multi-purpose vehicles, motorcycles, tractor/trucks, and trailers.
- The Department of Transportation information technology programming to implement the program is estimated to include 1,013 hours at a cost of approximately \$55,000. In addition, there is a 10.0% administrative cost of \$5,000.

Fiscal Impact

The Department of Revenue cannot estimate the costs associated with changes to its information systems and collections processes. The Department of Transportation impact for programming is approximately \$60,000 and will be absorbed within the current budget. The Judicial Branch anticipates FY 2012 costs associated with changes to its computer interface but these costs cannot be estimated prior to the completion of the plan in December 2010.

These Sections may result in additional receipts to the General Fund or other funds resulting from the collection of debt, but the amount cannot be estimated. These Sections may also result in additional revenue to county treasurers as a result of the \$5 filing fee, but the amount cannot be estimated.

Section 6 – Collection of Judgment Debt Owed to Cities

Background

- Court debt owed to cities is deemed delinquent at 30 days.
- At 90 days, this Section permits the cities to contract with a private debt collector.
- Permits an add-on collection fee of up to 25.0%.

Fiscal Impact

This Section may result in additional revenue to cities as a result of contracting with a private debt collector, but the amount cannot be determined.

Section 8 – Taxpayer Public/Private Utility Customer Match

Background

This Section permits the Department of Revenue to subpoena records of public and private utilities. The records that may be subpoenaed pertain to potential customers of the utility that may owe taxes, penalties, interest, and court debt to the State of Iowa.

This Section states that the public or private utility may not be held liable for good faith and reasonable actions taken when complying with the subpoena.

Assumptions

- This Section is effective January 1, 2011.
- The time required to issue subpoenas, review records, identify potential State debtors, notify the debtor, and collect the debt will exceed six months.

Fiscal Impact

The Department of Revenue estimates that \$1.7 million per year will be collected from State debtors through the additional subpoena powers allowed under the Act. The first fiscal year impacted is FY 2012.

Sections 9, 13, and 27 – State Debt Coordinator

Background

- Creates the Office of the State Debt Coordinator in the Department of Revenue effective on enactment of the Act.
- The position will be appointed by the Governor and confirmed by the Senate for a four-year term.
- Allows the State Debt Coordinator to adopt administrative rules for the Office.
- Some of the responsibilities of the position include coordinating collection efforts between each branch of government, making recommendations to the General Assembly to improve or increase collections and efficiencies, and managing the Debt Settlement Program, county attorney collections program, and civil liens.
- Repeals the Chapter on January 1, 2014.

Assumptions

- Assumes the Office will consist of the Coordinator, an administrative assistant, and a management analyst.

Fiscal Impact

In FY 2011, costs for the Office of the State Debt Coordinator are estimated to be \$290,000 and 3.0 FTE positions. In FY 2012 and on-going, the costs are estimated to be \$270,000. If more staff positions are added to the Office, costs will increase.

Note

House File 2531 (FY 2011 Standing Appropriations Act) included \$300,000 and 3.0 FTE positions for the Department of Revenue for start-up costs associated with the State Debt Coordinator Office. The Act also included language to transition funding for the Office from debt collection revenue.

Sections 10 and 13 – Notice of Lien in Civil Action

Background

Permits the State Debt Coordinator to file a lien against a person owing a debt to the State.

Repeals the Chapter on January 1, 2014.

Assumptions

- The Judicial Branch has approximately 75,000 civil filings a year.
- The lien can be applied to any civil action when a litigant has a potential claim against a third party and owes debt to the State.
- The lien can be applied to any judgment or negotiated settlement.

Fiscal Impact

This Section may result in additional receipts to the General Fund or other funds resulting from the collection of debt, but the amount cannot be determined.

Sections 11, 12, 13, and 26 – Debt Settlement Program

Background

- This Section is effective January 1, 2011, and is repealed on January 1, 2014.
- Debt must be more than four years old and person's income must be at or below 200.0% of the federal poverty level.
- Forgiveness is limited to up to 50.0% of the eligible debt owed.
- Any settlement must be made in a lump sum payment.
- The person is not eligible if another payment plan is in effect.
- The county attorneys and the Centralized Collection Unit (CCU) in the Department of Revenue can offer the Debt Settlement Program.

Assumptions

- Of the \$525.3 million in total court debt, \$47.8 million is more than four years old and owed by people at or below 200.0% of the federal poverty level.
- Assumes that 1.5% of the total will be collected through this Program.

Fiscal Impact

The revenue generated from the Debt Settlement Program is estimated to be approximately \$350,000 in FY 2011 and approximately \$700,000 in FY 2012.

Section 16 – Assignment of Debt to CCU

Background

Under current law, court debt is owed and payable to the Clerk of District Court (except restitution) and is deemed delinquent if not paid within 30 days after being assessed or 30 days after an installment payment is missed. After 30 days, the debt (at the discretion of the clerk of court) may be assigned to the CCU in the Department of Revenue. If assigned, the debt remains at the CCU for the next 60 days (90 days from the date assessed). Court debt that is 90 days delinquent from the date assessed can be sent to the county attorneys or their designee for collection.

The most active collection period for the CCU is within the first 12 to 15 months of receiving the debt. The CCU works the debt for up to two years and then it is returned to the Judicial Branch. The CCU averages \$1.7 million per month in collections. In FY 2008, the CCU collected \$20.4 million in court debt. In FY 2009, the CCU collected \$19.8 million in court debt. The CCU charges a 10.0% add-on fee to each account and the fee is added by the Judicial Branch to the total when the account is placed with the CCU. If the debt is moved from the CCU to the county attorneys, the 10.0% add-on fee is removed. In FY 2010, account placements are approximately 73.0% of FY 2009 placements. This would suggest a 27.0% decrease in collections; however, collections are actually up 18.0% year-to-date primarily due to accounts placed with the CCU from FY 2008 and FY 2009.

At the end of FY 2009, the Judicial Branch did not send debt to the CCU from a county active in a county attorney collections program. This decision was later revised. In FY 2010, the Judicial Branch was not sending any of the debt to either the CCU or the county attorneys for 90 days from the date of assessment. This decision was also later revised.

Under current practice, debt from counties without an active county attorney collection program is sent to the CCU for collection at 31 days. At 90 days after assessment, the debt from counties with a county attorney collection program is sent to both the county attorneys and the CCU at the same time. Both entities work the debt simultaneously.

Assumptions

- The Judicial Branch is required to send all debt to the CCU at 30 days.
- Debt not assigned to a county with a county attorney collection program will be worked by the CCU for a period of one year.
- The county attorneys will continue to receive the debt at 90 days from the date of assessment (current law).
- Requires a minimum collection of \$25,000 annually by a participating county attorney, including counties participating in 28E agreements.

Fiscal Impact

The revenue generated by requiring all debt to go to the CCU at 30 days is estimated to increase receipts to the General Fund by approximately \$2.0 million compared to current receipts. Allowing the CCU to work debt for up to one year is estimated to maintain the current level of collections.

Section 20 – Establishes a Minimum for County Attorney Collections at \$25,000

Background

Under current law, the distribution of county attorney collections is based on a threshold formula based on the county population. County attorneys retain 40.0% of the amount collected through the county attorney collections program and the remaining 60.0% is deposited in the State General Fund. Once the county's threshold is met, the county retains an additional 12.0% (total of 52.0%) of the funds collected and the General Fund receives 48.0%. Below is a list of the population thresholds:

- 150,000 or more - \$500,000
- 100,001 to 150,000 - \$400,000
- 50,001 to 100,000 - \$250,000
- 26,001 to 50,000 - \$100,000
- 15,001 to 26,000 - \$50,000
- 15,000 or less - \$25,000

For FY 2010, there are 47 counties participating in collections. Crawford and Carroll counties and Decatur and Wayne counties have entered into 28E agreements. As of February 28, 2010, 11 counties met their required threshold amount.

Of the 45 counties that participated in FY 2009, 15 counties (33.3%) exceeded the threshold. Three counties did not collect any money, one county collected less than \$1,000, and seven counties collected more than \$1,000 but less than \$5,000.

County attorneys do not receive a portion of any amounts collected for victim restitution, the Crime Victim Compensation Fund, the Criminal Penalty Surcharge, the Drug Abuse Resistance Education (DARE) Surcharge, the Law Enforcement Initiative Surcharge, the County Enforcement Surcharge, the \$200 DOT Civil Penalty, or the setoff procedures under Code Section 8A.504 or sheriff fees.

Assumptions

- In FY 2009, there were 23 counties that did not collect more than \$25,000.
- As of February 28, 2010, 19 counties have collected less than \$15,000 with four months left in the fiscal year.
- Debt will remain with the CCU to be worked for an additional 60 days rather than being sent to counties that are not collecting at least \$25,000 in court debt a year.
- Counties that fall below the threshold can re-apply with the State Debt Coordinator to re-enter the program.
- Of the current amount collected, 60.0% already is deposited in the General Fund and the remaining 40.0% is deposited in the county general fund of the collecting county.

Fiscal Impact

The revenue impact is estimated to be approximately \$56,000 to the General Fund.

Section 21 – Private Debt Collector

Background

The Judicial Branch completed a Request for Information (RFI) to contract with a private debt collector in January 2009 and anticipates issuing a Request for Proposal (RFP) sometime in FY 2010.

Assumptions

- Any debt that is deemed delinquent (30 days) and has been transferred to the CCU but is not in a payment plan with the CCU is required to be sent to a private debt collector after one year.
- The add-on collection fee for a private debt collector is up to 25.0%. This amount is in addition to the total debt owed.

Fiscal Impact

This Section may result in additional receipts to the General Fund or other funds resulting from the collection of debt, but the amount cannot be determined.

Section 22 – Clarifies Payment of a Fine at the Date of Imposition

Background

Under current law, Code Section 909.3(1) contains language stating that all fines imposed by the Judicial Branch will be paid on the date the fine is imposed.

This Section clarifies current law by directing persons to pay court fines to the Clerk of District Court at the date of imposition.

In FY 2009, 30.0% of the fines imposed were paid within 30 days.

Under current law, Code Section 909.3(2) provides Judges with the discretion to allow an installment plan or to fix a date no more than 120 days into the future for payment of a fine. For good cause, the Judge may extend the payment more than 120 days.

Assumptions:

- Judges will be required to instruct the debtor to go to the clerk of court office to pay the debt prior to leaving the courthouse on the day the fine is assessed.
- Judges are allowed to establish installment payment plans no later than 30 days after the fine is imposed.
- The terms and conditions of the installment payment plans will be established by Judicial Rule.

Fiscal Impact

This Section may result in additional receipts to the General Fund or other funds resulting from the collection of debt, but the amount cannot be determined.

Sections 23 and 27 – Debt Amnesty Program

Background

This Section is effective on enactment and establishes a Debt Amnesty Program in the Department of Revenue for the period of September 1, 2010, through November 30, 2010. This Section requires the Department to submit a report to the General Assembly on January 15, 2011.

This Section outlines the following eligibility requirements:

- A person confined to jail or prison, or under correctional supervision, is not eligible for the Program.
- Debt must be more than four years old.
- Forgiveness is equal to 50.0% of the eligible debt owed.
- Payment must be made in a lump sum.
- The person is not eligible if another payment plan is in effect.

Assumptions

- Of the \$525.3 million in total court debt, \$216.1 million is more than four years old.
- Assumes that 1.5% of the total will be collected through this Program.
- The Iowa Lottery Authority will help advertise the Program.
- Due to the State Early Retirement Program, the Department of Revenue will be operating at a reduced staffing level compared to the staffing level in effect when the Department operated the Tax Amnesty Program.
- The Department of Revenue estimates advertising costs totaling \$400,000 and \$350,000 for additional part-time staff and programming costs to administer the Program for three months.

Fiscal Impact

The one-time revenue generated from the Debt Amnesty Program is estimated to be approximately \$3.2 million for FY 2011. The cost to administer the Debt Amnesty Program is estimated at \$750,000.

Funding Source

House File 2531 (FY 2011 Standing Appropriations Act) included \$300,000 and 3.0 FTE positions for the Department of Revenue for start-up costs associated with the State Debt Coordinator Office. The Act also included language to transition funding for the Office from debt collection revenue.

Enactment Date

This Act was approved by the General Assembly on March 27, 2010, and signed by the Governor on April 21, 2010.

Sources

Departments of Revenue, Transportation, and Administrative Services
Judicial Branch
Criminal and Juvenile Justice Planning Division (CJJP)
Various Executive Branch Agencies

SF 2387 – Regional Blood Testing Facility Sales Tax Exemption Act

Analyst: Shawn Snyder (Phone: 515-281-7799) (shawn.snyder@legis.state.ia.us)

Fiscal Note Version – Final Action

Senate File 2387 authorizes a sales tax exemption for the sales price of reagents and accessory equipment necessary for testing blood at a regional blood testing laboratory that is licensed by the federal food and drug administration beginning on January 1, 2011. The Act additionally requires that if a regional blood testing laboratory does not exist in the State as of January 1, 2011, the sales tax exemption would be repealed.

Background and Assumptions

There are currently three non-profit blood centers in Iowa licensed by the federal food and drug administration with total sales/use tax paid for reagents and accessory equipment totaling approximately \$480,000 annually. If a regional blood testing laboratory locates in Iowa, it is assumed that those sales will shift from the three blood centers to the regional blood testing laboratory.

The three blood centers employ 30 professionals with an average annual salary of approximately \$70,000. Additionally, if this sales tax exemption is enacted, Iowa may be selected as a site for a regionalized testing laboratory that could create 30 to 40 new jobs with an average annual salary of approximately \$70,000.

The Department of Economic Development (DED) estimates that as a result of 40 new jobs, State revenues would increase approximately \$220,000 and property tax revenues would increase by approximately \$90,000 annually. The DED has indicated that there will be additional economic activity within the State resulting from the increase in jobs; however that amount is currently unknown.

In addition to the potential of increased jobs, the creation of a new regionalized testing laboratory would have a budget of \$39.0 million, an increase of \$22.0 million over the current budget of the nonprofit blood banks. Assuming that approximately \$2.1 to \$3.0 million would be used to fund salaries, the remaining \$19.0 to \$20.0 million may have additional economic and State revenue impact, although that amount is unknown. No additional sales tax revenue would be generated directly from the increased budget.

Additional assumptions include:

- Annual growth of 2.0% in the amount of taxable sales for reagents and accessory equipment.
- A total of 40 new jobs would be created as a result of the regional testing laboratory locating in Iowa beginning in FY 2012.

Additional information: According to the Alliance of Community Blood Centers, one or more of the three non-profit blood centers and 30 professionals may relocate out of state if this exemption is not enacted. The centers are located in Sioux City, Davenport and Des Moines. The fiscal impact does not account for this possible relocation.

Fiscal Impact

If a regional blood testing laboratory does not locate in the State by January 1, 2011, there will be no sales tax reduction as a result of this Act.

If a regional blood testing laboratory locates in Iowa and meets the other specifications in this Act, the estimated decrease in sales/use tax revenue will be approximately \$250,000 (\$208,000 from the General Fund and \$42,000 from the Secure an Advanced Vision for Education Fund) in FY 2011. The estimated sales tax exemption beginning in FY 2012 and future fiscal years would total approximately \$500,000 (\$420,000 from the General Fund and \$84,000 from the Secure an Advanced Vision for Education Fund).

Additionally, if a regional testing laboratory locates in Iowa prior to January 1, 2011, the following potential annual fiscal impact and economic impact will occur beginning in FY 2011 and extend to future fiscal years:

- Additional State income and sales/use tax revenue totaling approximately \$220,000 based on the creation of 40 jobs. There may be additional economic activity resulting from the increase in jobs, but that amount is currently unknown. The statewide model of the Iowa economy utilized by the Department of Economic Development indicates a jobs multiplier of 1.69.
- Potential property tax revenue totaling approximately \$90,000 based on the creation of new jobs beginning in FY 2014. This amount may increase annually and be based on valuation increases and local property tax rates.
- An increased budget for a regional testing laboratory of \$19.0 to \$20.0 million will provide additional economic activity and impact State tax and local revenue but that amount is currently unknown.
- Any State costs associated with the addition of new residents filling newly created jobs are currently unknown.

Funding Sources

The sales tax exemption will reduce General Fund revenues and Secure an Advanced Vision for Education (SAVE) Fund. Any additional State revenues generated as a result of this Act may increase the State General Fund.

Effective Date

This Act is effective July 1, 2010. If no eligible blood laboratory locates in Iowa by January 1, 2011, the Act will be repealed.

Enactment Date

This Act was approved by the General Assembly on March 26, 2010, and signed by the Governor on April 21, 2010.

Sources

Iowa Alliance of Community Blood Centers
Iowa Department of Economic Development
LSA Analysis and Calculations

SF 2388 – Health Care Access Assessment Act

Analyst: Jess Benson (Phone: 515-281-4611) (jess.benson@legis.state.ia.us)

Fiscal Note Version – Final Action

Senate File 2388 creates a Hospital Health Care Access Assessment Program and imposes a Hospital Health Care Access Assessment to privately-owned (non-State) hospitals paid on a Prospective Payment System (PPS) basis by Medicare and Medicaid. The assessment is based on 1.26% percent of net patient revenue as specified by the FY 2008 Medicare cost report and effective July 1, 2010, or retroactive to that date, based on approval by the federal Center for Medicare and Medicaid Services. This Act establishes a Hospital Access Trust Fund for the assessment proceeds and establishes a board to make recommendations regarding the Program. This Act provides for reimbursement for PPS hospitals up to the federal Upper Payment Limit (UPL); the rebasing of hospital rates in October of FY 2011 (FY 2012); and annualizes the rebase in FY 2013.

Assumptions

- The assessment rate is 1.26% percent of net patient revenue.
- The assessment will generate \$40.0 million in revenue.
- The State will use approximately \$19.5 million of the revenue to reimburse hospitals up to the UPL in FY 2012 and \$25.9 million in FY 2012 and FY 2013. These funds will be matched to draw additional federal revenue.
- The State will use \$4.5 million in FY 2012 and \$6.0 million in FY 2013 to rebase hospitals. Both amounts are capped by this Act.
- Most hospitals will experience a net gain from this Act because the additional Medicaid payments will be more than the assessment paid. However, hospitals with a low percentage of Medicaid will experience a net loss because the Medicaid payments received will not be enough to offset the assessment on non-Medicaid revenue.
- The State share of the Federal Medical Assistance Percentage (FMAP) is projected to be 29.70% for FY 2011; and 37.37% in FY 2012 and FY 2013. This includes the FMAP adjustment in the American Recovery and Reinvestment Act of 2009.

Fiscal Impact

The assessment, if approved, is estimated to generate revenue of \$40.0 million annually to the Hospital Access Trust Fund beginning in FY 2011. The net gain to the State after reimbursing hospitals and rebasing is \$19.5 million in FY 2011, \$9.7 million in FY 2012, and \$8.2 million in FY 2013.

The assessment and corresponding reimbursement payments will generate additional federal funds for Iowa as explained in the assumptions. See details in the following chart.

Hospital Health Care Access Assessment

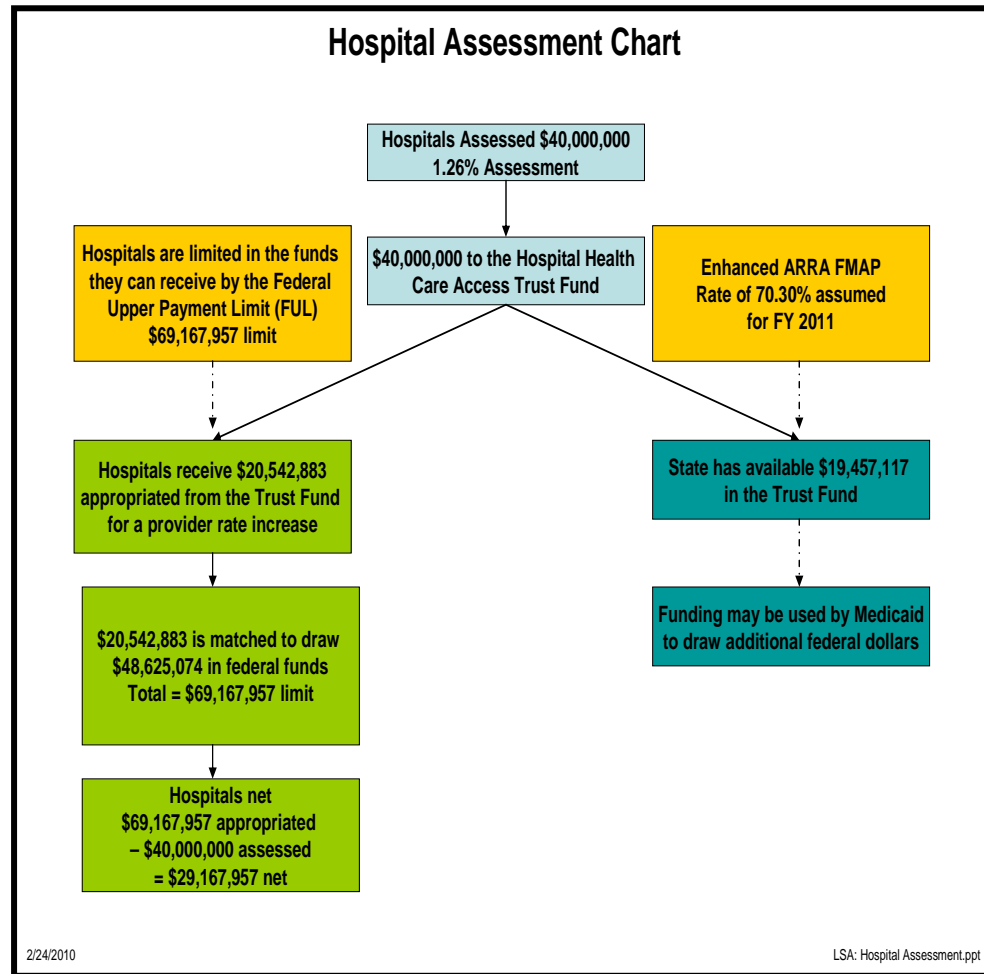
| | <u>State</u> | <u>Federal</u> | <u>Assessment</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------|-----------------------|
| FY 2011 Assumed FMAP | 29.70% | 70.30% | 1.26% |
| Revenue: | <u>State</u> | <u>Federal</u> | <u>Total</u> |
| Health Care Access Assessment (1.26%)* | \$ 40,000,000 | \$ 0 | \$ 40,000,000 |
| Expenditures: | | | |
| Reimburse to UPL | \$ 20,542,883 | \$ 48,625,074 | \$ 69,167,957 |
| Net Gain/Loss** | <u>\$ 19,457,117</u> | <u>\$ -48,625,074</u> | <u>\$ -29,167,957</u> |
| <hr/> | | | |
| | <u>State</u> | <u>Federal</u> | <u>Assessment</u> |
| FY 2012 Assumed FMAP | 37.37% | 62.63% | 1.26% |
| Revenue: | <u>State</u> | <u>Federal</u> | <u>Total</u> |
| Health Care Access Assessment (1.26%)* | \$ 40,000,000 | \$ 0 | \$ 40,000,000 |
| Expenditures: | | | |
| Reimburse to UPL | \$ 25,848,066 | \$ 43,319,891 | \$ 69,167,957 |
| Rebase | 4,500,000 | 7,541,745 | 12,041,745 |
| Total Hospital Expenditures | <u>30,348,066</u> | <u>50,861,636</u> | <u>81,209,702</u> |
| Net Gain/Loss** | <u>\$ 9,651,934</u> | <u>\$ -50,861,636</u> | <u>\$ -41,209,702</u> |
| <hr/> | | | |
| | <u>State</u> | <u>Federal</u> | <u>Assessment</u> |
| FY 2013 Assumed FMAP | 37.37% | 62.63% | 1.26% |
| Revenue: | <u>State</u> | <u>Federal</u> | <u>Total</u> |
| Health Care Access Assessment (1.26%)* | \$ 40,000,000 | \$ 0 | \$ 40,000,000 |
| Expenditures: | | | |
| Reimburse to UPL | \$ 25,848,066 | \$ 43,319,891 | \$ 69,167,957 |
| Rebase | 6,000,000 | 10,055,660 | 16,055,660 |
| Total Hospital Expenditures | <u>31,848,066</u> | <u>53,375,551</u> | <u>85,223,617</u> |
| Net Gain/Loss** | <u>\$ 8,151,934</u> | <u>\$ -53,375,551</u> | <u>\$ -45,223,617</u> |
| <hr/> | | | |
| <p>*The Health Care Access Assessment is subject to change with the addition of two new hospitals and the closing of one. The impact cannot be estimated, but it is expected to be a net gain to the State.</p> <p>** Total net loss represents the net loss to the State and federal Governments and is equal to the net gain for the 34 Prospective Payment System hospitals.</p> | | | |

Enactment Date

This Act was approved by the General Assembly on March 26, 2010, and signed by the Governor on April 14, 2010.

Sources

Department of Human Services
Iowa Hospital Association
LSA Analysis



2010 Fiscal Report (Graybook)

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