

March 17, 2023 – Week 10

As the second funnel deadline approaches at the end of March, legislators focused on keeping bills moving along and each chamber debated and passed several bills this week.

Of note, the Governor's [state reorganization bill](#) passed this week and awaits the Governor's signature. Governor Reynolds' 1,500-page proposal trims Iowa's 37 agencies down to 16, for a projected cost saving of \$200 million over the next four years. The Legislative Services Agency released an updated [fiscal note](#) and it gives a good breakdown of the expected organizational changes and fiscal impacts, including a summary table. The bill passed the Senate last week (34-15) and the House (58-39) earlier this week.

The Revenue Estimating Conference met last Friday and gave their estimates on future state revenues and data that will be used to guide the state's budget development process. The estimated revenues for fiscal years 2023 and 2024 grew more than expected. While that's seemingly good news, overall revenues are expected to decrease from previous projects, an effect of last year's tax reform. FY24 revenues estimates are also expected to decrease by over \$100,000,000 as compared to the revised FY23 estimates. If interested in additional details, the LSA fiscal note on the March REC conference can be found [here](#) and also their [General Fund Update](#).

Legislators will focus on moving bills through respective chambers over the next two weeks, before the March 31 funnel, and then the attention will likely shift then to budget discussion and negotiations during the last month of (scheduled) session.

Happy St. Patrick's Day! My Irish grandmother always said there was a 'wee bit' of Irish in everyone, no matter their heritage. May the luck of the Irish enfold you. May the blessings of St. Patrick behold you!

*Key Legislation:*

**HF506:** This legislation increases funding to the Workforce Housing Tax Credit program. The measure increases funding from \$35 to \$50 million with a set aside for small cities. The set aside currently reserves \$17 million; this bill would increase it to \$25 million. The bill is assigned to Ways and Means. **Support.**

**HF141/SF280:** The legislation increases the property tax exemption for veterans. It increases the exemption to the assessed property value from \$1,852 to \$4,000. The exemption has not

been increased since 1974 and the Legislative Services Agency estimates that veterans will receive average relief of \$100-\$150 annually. The House bill is now in Ways and Means and a [fiscal note](#) was been published. The Senate bill has a subcommittee assigned in Ways and Means. **Support.**

**SF174:** The bill prohibits cities or counties from adopting rules, ordinances, code or other regulations that are more restrictive building standards than national code. The Senate Local Government committee passed the bill out of committee and is eligible for consideration by the Senate. **Undecided.**

**SF15:** This legislation appropriates an additional \$500,000 to the military homeownership down payment assistance program. The Veterans Affairs committee passed it this week and it has been assigned to the Appropriations committee and a subcommittee has been assigned. Further action will be later in the session, as it is now funnel proof in the Appropriations committee. **Support.**

**HF1:** The House released its first draft of its property tax reform legislation. Division 1 impacts the school aid formula, shifting 50 cents of the \$5.40 school aid foundation levy to state aid. Division 2 limits future assessments of “actual value” on individual parcels to 103% of the previous assessment year (3% cap on increase). Division 3 relates to bonding requirements and public noticing. A Ways and Means subcommittee discussed the bill on February 6. **Undecided.**

**HF111/SF150:** This legislation exempts transfers to beneficiaries of a trust from paying the real estate transfer tax. The bill essentially codifies what is current practice and is not expected to impact funding to the housing trust funds. HF111 passed the House unanimously and the Senate Ways and Means subcommittee moved it forward to be considered by the Ways and Means committee. **Undecided.**

**SF182:** The bill is a “re-brand” of the land banks bill that has been introduced in recent years by Senator Mark Lofgren. While the new name, land redevelopment trusts bill, has caused some confusion among housing advocates, the legislation is the same as previous years and establishes a land bank, not a trust. There is more discussion and attention to this bill than in recent years and the team is encouraged. **Support.**

**HSB124:** This is the companion bill to SF182 (above). The House Ways and Means committee approved the bill on Thursday this week, and it moves forward for potential consideration by the full House. **Support.**

**HF 163:** This bill expands the disabled veteran homestead tax credit. The Veterans Affairs committee passed it and the Ways & Means subcommittee discussed on Monday, February 27 and will move it forward. A fiscal note can be found [here](#). **Support.**

**SF479** (formerly **SF334**): This legislation repeals the energy conservation requirements for new construction. The Senate State Government committee approved the bill this week and it is eligible for consideration by the Senate. There is not a House companion bill currently. **Undecided.**

**SF356** (formerly **SSB1124**): Passed the Senate Ways and Means Committee last week. The bill makes several changes to Iowa's property tax system. It lowers the threshold to trigger voter approval requirements for lease-purchases to a level comparable to essential county purpose bonds. The bill modifies the city levy rate based on the growth of assessed value compared to previous years, and limits the use of emergency levies to natural disasters. **Monitoring.**

**SSB1125:** Increases the state retail sales and use tax rate from 6% to 7% and eliminates the local option sales and services tax. The bill then transfers a portion of retail sales tax revenues to cities. Creates a supplement fund for cities, to be funded by a portion of use tax receipts, to offset revenue reductions compared to a baseline year for affected jurisdictions. The supplement fund expires in 2043. Converts the Homestead Tax Credit and Veterans Property Tax Credit into exemptions. Increases eligibility for the Senior and Disabled Person Tax Credit. **Monitoring.**

**SF76/HF436:** Creates a neighborhood revitalization program. Both bills are individual sponsored by minority members, so highly unlikely to see action this session. **Monitoring.**

**Key Dates:**

**March 31:** Second Funnel Deadline

**April 28:** 110<sup>th</sup> Calendar Day of Session (*per diem* expenses end per Iowa Code)

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