



IOWANS FOR TAX RELIEF

VOICE OF THE TAXPAYER

ESSENTIAL ISSUES AND SOLUTIONS FOR THE RECONVENED LEGISLATIVE SESSION

While the pandemic's heartbreaking story of lives lost is still being written, the economic impact continues too. The fallout of COVID-19 will have a profound influence on many areas of life far into the future. As we have all seen, individual spending and personal interaction habits have already been impacted.

There is no doubt state government will be changed as well.

Three months ago, Iowa's General Fund was looking at ending Fiscal Year 2020 with a sizable surplus on the \$7.6 billion budget. Tax reform was a hot topic and legislators were working on making it easier to enter new careers, guaranteeing support is given to those who are genuinely in need, and increasing the fiscal accountability of local governments.

Legislators hit "pause" on March 16th and suspended the session. When they return on Wednesday, June 3rd, lawmakers will focus their efforts on helping Iowa recover from the personal and economic effects of COVID-19. Some legislative goals will be put on hold, but others are attainable and essential.

Projecting state revenue has always been challenging. The present crisis will make it more difficult. TEF Iowa estimates Iowa's state government will lose over \$800 million in revenue this year. The Revenue Estimating Conference (REC) reduced their 2021 estimate from \$8.24 billion to \$7.88 billion. Legislators will use this new REC estimate to create next year's budget.

ITR has identified the following issues and created policy solutions to help Iowa move forward.



Iowa's State Budget: Freeze Government Salaries

A decision to hold the line on employee costs would help free up state money to address other potential budget shortfalls, and it is still more generous than the alternatives faced by many private-sector workers.

One of the top priorities will be to create the Fiscal Year 2021 budget which begins July 1st. Legislators should use a cautious budgeting approach because accurate revenue estimates will be difficult to develop. Iowa House and Senate leadership have wisely joined the Governor in asking Iowa's Revenue Estimating Conference to meet before the legislative session reconvenes. Their revised state revenue estimate will be needed to create the Fiscal Year 2021 budget. Too much spending could lead to painful mid-year adjustments.

Families are forced to make tough financial decisions regularly, and our state leaders will have to do the same when they return to the Statehouse. While the full economic impact of the coronavirus pandemic on state revenues remains uncertain, it is clear that the state will need to tighten its belt regardless of the severity of the financial impact.

One possible solution to help the state save money is reducing personnel costs. Typically, when states, or private businesses for that matter, face extreme financial difficulty, they consider measures like hiring freezes, suspending scheduled compensation increases, adjusting retirement contributions, or offering early retirement options.

Actions such as these have been taken before in Iowa. Governor Chet Culver, in reaction to the financial crisis of 2008 and 2009, froze many personnel vacancies and temporary job openings. While some state workers were laid off at that time, numerous others agreed to unpaid furloughs and retirement plan changes to stave off as many layoffs as possible. Going back further, Culver's predecessor,

Governor Tom Vilsack, took the step of postponing scheduled pay increases for state employees in an effort to save money in the wake of the September 11 terrorist attacks.

Serious consideration must be given to forgoing the hiring of new state workers. By not replacing departing employees unless absolutely necessary, the state could hold onto critically-needed dollars. All new hire requests should have to be approved by the Director of the Department of Management in order to ensure that those hires are absolutely necessary.

Unfortunately, some private sector companies in Iowa have already been forced to cut current employee salaries or lay off workers entirely.

A decision to hold the line on government employee costs would help free up state money to address other potential budget shortfalls, and it is still more generous than the alternatives faced by many private-sector workers.



Taxes: Do No Harm

Iowans have responded to their government's call to protect their neighbors. Lawmakers must return that protection in planning a budget that doesn't count on them sending more dollars to the state.

As the immediate health crisis subsides, Iowa will be forced to deal with reduced revenues while simultaneously seeking to adopt policies to help enable—or at least not inhibit—an economic recovery.

The Governor's Invest in Iowa Act has most likely been put on hold for this year. If legislators ultimately choose not to pursue the Invest in Iowa Act, or another form of tax relief, there is one thing they must refrain from doing: turning to the taxpayer to fill any potential budget gaps.

Taxpayers shouldn't have to shoulder more of the burden in a way that, frankly, they can't afford. Our elected officials cannot look to taxpayers to fill potential gaps in the budget, as many are already hurting financially from answering the call to stay home to fight the invisible enemy that is COVID-19.

This is not the first economic downturn states have

faced and history has shown raising taxes is one of the most harmful fiscal policies governments can enact. A tax hike would decrease disposable income, consumer spending, savings, and investing. At this time, it is imperative to allow household budgets to keep more of their hard-earned money.

Legislators should use a cautious budgeting approach because it will be difficult to accurately predict incoming state revenue. The Revenue Estimating Conference (REC) reduced its 2021 estimate from \$8.24 billion to \$7.88 billion. Legislators will use this new REC estimate to create next year's budget. By law, the legislature can only spend 99 percent of the projected revenue estimated by the REC.

Iowans have responded to their government's call to protect their neighbors. Lawmakers must return that protection in planning a budget that doesn't count on them sending more dollars to the state.



Remove Excessive Licensing Regulations

During the COVID-19 outbreak, Governor Reynolds eased many licensing restrictions within the medical community. Those changes, and many more, should be made permanent.

Occupational licenses can serve to protect the health and safety of the public, but overly burdensome licensing becomes a red tape tax on the ability of individuals to work.

At the outset of the COVID-19 outbreak, Governor Reynolds eased many licensing restrictions within the medical community to stop government bureaucracy from preventing those with the medical skillsets needed to combat the coronavirus from practicing medicine. This included allowing individuals licensed in other states to practice medicine in Iowa, provided that they were in good standing in their licensing jurisdiction.

While actions like this can sometimes cause an uproar by the noisy special interests that profit from increasing occupational licensing requirements, when faced with a public health emergency, these calls of impending disaster due to decreased regulation did not come, indicating that much of

these arguments are drastically overblown.

The need for licensing reform goes beyond the medical profession. Iowa is the second-most licensed state in the country, with one in four workers requiring a license from the government to work. It is necessary that licensing requirements are reviewed regularly to make sure that current requirements make sense. It is also important that Iowa recognizes the skillsets of those who desire to move to Iowa and grants them a license for work that they know how to do and have been doing in another jurisdiction.

Further, greater consideration needs to be paid to fees, finding ways to reduce or eliminate fees for low-income individuals so that the fees don't become a barrier to work. Finally, there should be a streamlined approach in dealing with individuals with a criminal history, removing barriers for these individuals to work in cases where it makes sense.



Increase Government Transparency

The legislature should act to make sure that excessively burdensome fees do not hinder the public's ability to hold their governments accountable.

Government exists to serve the people, and that is only possible if it does so in a transparent fashion.

COVID-19 has changed the dynamics of how government operates, creating more transparency by some standards and less by others. Because most meetings are not happening in person, governments are streaming more meetings via teleconference, which allows citizens to virtually attend.

Unfortunately, not everyone has access to a computer nor the technological understanding of how to participate in an online setting. While streaming meetings may increase accessibility for some, operating only in an online setting creates barriers for others. ITR encourages local governments to continue streaming meetings so those who may physically be unable to attend

meetings can continue to participate in the future, but in-person meetings should resume when possible for those who must participate in person.

Additionally, access to public records is critical. A lot of decisions have been made during this public health pandemic. Some decisions were urgent and directly related to emergency response efforts, and others were not. Regardless, the public deserves access to records that are in the public interest.

The legislature should act to make sure that excessively burdensome fees do not hinder the public's ability to hold their governments accountable, particularly at a time when a news cycle dominated by a health pandemic may have kept other government decisions from public awareness.



COVID Liability Protection

Iowa businesses acting responsibly and with caution should not be held responsible for spreading the coronavirus if adequate protective measures were in place.

After being shut down for weeks due to COVID-19, many Iowa businesses have gotten the green light from the government to reopen. Some restrictions are still in place, like reduced capacity requirements and limitations on gathering in common areas.

Businesses choosing to reopen, have been encouraged to do so cautiously and responsibly, in an effort to protect both their consumers and their employees.

Unfortunately, COVID-19 is not easily detectable. Some individuals who are infected show no symptoms. Particulate matter containing the virus can linger in the air or on surfaces for minutes, hours, or even days.

While sanitizing and distancing measures help reduce the possible spread of the virus, it is not possible for even the most diligent efforts used by businesses to mitigate all possible risks.

Governments at all levels are loosening burdensome regulations to restart the economy. Lawsuits against companies trying to reopen will curtail this progress. With so many unknowns, companies may be tempted to retreat or hold back on moving forward.

For this reason, it is important that the legislature act to protect Iowa businesses from lawsuits related to COVID-19. If an employer is utilizing reasonable safety measures per CDC guidance, they should not have to worry about being sued for spreading the virus to an employee or customer. Without this protection, lawsuits could force many business owners out of business, particularly after weathering the financial difficulty of a government-mandated business closure that lasted for weeks.

While it is important for Iowa businesses to act responsibly and with caution, they should not be held responsible for spreading the coronavirus if adequate protective measures were in place.



Eliminate the Welfare Cliff Effect

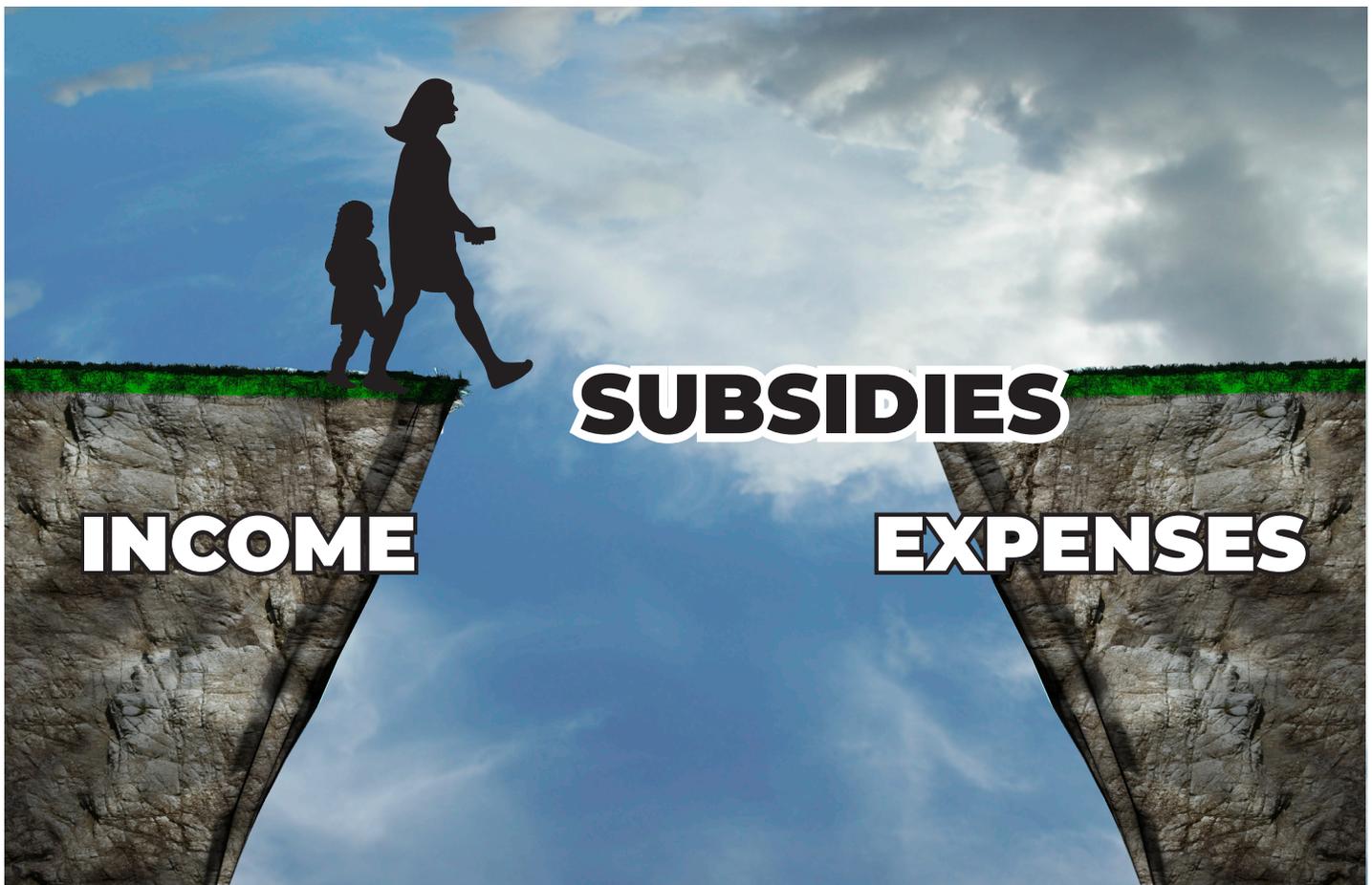
Childcare subsidies exist to bridge the gap between income and expenses for working families. Workers relying on childcare assistance reach a “cliff” where a slight increase in income disqualifies them for services worth substantially more than their pay raise.

Individuals trying to work their way out of poverty struggle because benefits are reduced faster than their wages increase. This is particularly true for single parents relying on government assistance for childcare costs. Trapping people in a cycle of poverty is unfair for individuals trying to work their way out of their situation and off public assistance. It's also costly for taxpayers, as individuals who could become net tax contributors are stuck in a cycle of being net recipients of tax dollars.

Creating a stair-step system to help people work their way out of poverty would help address the shortfalls in current public assistance programs. People should ultimately be financially better off by

working and earning more money. Putting workers in a position where a raise could mean losing the ability to afford a rent payment is not a situation anyone should have to face.

To make it easier for workers using childcare assistance during this crisis, the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act waived co-pays and provides full-tuition amounts to childcare assistance providers. The state's goal should be to create a path for people to work their way out of poverty, ultimately reducing public assistance costs as more individuals become financially independent and no longer need government assistance.



Closing the Digital Divide: Increase Rural Broadband Access

Lawmakers can use these tools to connect more lowans to broadband while using taxpayer dollars wisely. Iowa shouldn't spend millions of dollars when they can least afford it in attempts to connect its citizens.

In a matter of days, broadband connectivity went from being a luxury to a virtual necessity. Adults suddenly found themselves working from home while students from preschool through college moved to learning online practically overnight. For some individuals, the only way to see their doctor right now is through telemedicine. While many across Iowa have access to the internet infrastructure to meet these new demands, many others do not.

By removing barriers to entry and deployment, the Federal Communications Commission (FCC) and other agencies within the federal government have been working with the private sector to close the digital divide. But solving the issue requires federal, state, and local governments all pulling in the same direction.

As state lawmakers return to session after the worst of the COVID-19 crisis has passed, there is a great opportunity to connect rural lowans by removing barriers to broadband deployment.

While bridging the digital divide has grown on lawmakers' priority lists, not all solutions to the problem are created equally. Many good faith efforts across the country have had little impact, and some have even slowed down the pace of closing the digital divide. That is why ITR supports the following policies to consider, and strongly rejects the subsequent list of policies to avoid.

Policies to consider:

1. Reduce costs and application times for 5G deployment
2. Be technologically neutral
3. Work with the federal government on broadband mapping
4. Reduce or eliminate state right of ways fees and make state infrastructure available to speed up deployment
5. Utilize electric co-ops infrastructure
6. Pass "dig once" and "one-touch make-ready" policies
7. Streamline existing grant programs

Policies to avoid:

1. Don't create government-owned networks
2. Don't create new grant programs
3. Don't enact state net neutrality
4. Don't look to generate revenue from broadband deployment

Iowa shouldn't spend millions of dollars when they can least afford it in attempts to connect its citizens. Lawmakers can use these policies listed above to provide high-speed internet for more lowans while using taxpayer dollars wisely.





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