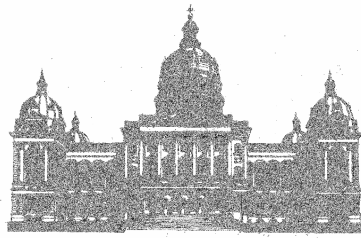


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### **A Clunker of a Rebate Program**

With great fanfare last week, the Office of Energy Independence (OEI) urged Iowans to consider upgrading their home appliances since the Federal government had provided the state with \$2.6 million in stimulus funds for rebates. On Monday morning, Iowans responded. And now, many of them have questions about what happened. The federal government gave states funding to run rebate programs to encourage citizens to purchase energy efficient appliances for the home. In Iowa, the Office of Energy Independence was given the responsibility to administer the program. Iowans were eligible to get rebates of up to \$500 on new refrigerators, stoves, dishwashers, clothes washers and dryers, and furnaces.

OEI projected that the funding would last at least two weeks. The Office had contracted with an outside firm to set up a system whereby Iowans could apply for the rebate over the internet or the phone. OEI boasted that their contractor was more than capable with handling any volume of interest.

When Monday morning arrived, many Iowans attempted to take advantage of the program. What they discovered was a website that they could not access and jammed phone lines. Some shoppers spent hours trying to get through on the phone, while others kept hitting the refresh button. By the middle of the afternoon, the Office of Energy Independence declared victory by announcing that all the refund money had already been claimed. Many Iowans were left wondering if they had gotten any rebate at all.

While it took six hours to hand out the money, it will take a lot longer to figure out why things went so quickly and so badly. After the program was closed, Iowans were still being encouraged to buy appliances, on the chance that someone who claimed a rebate would not file for it and there would be money left over.

Legislators have been swamped with complaints about the failure of OEI's contractor to handle the program. While the Office is now saying they are conducting an investigation of the situation, it is extremely unlikely that they will produce a report any time soon. But it is possible that legislators will force the officials in charge of the rebate program to explain what went wrong.

### **General Fund Revenue Slightly Above REC Estimate**

On Monday, March 1, Fiscal Services Division released the general fund revenue numbers for the first 8 months of FY 2010. Net revenue through February was slightly above the REC estimate for FY 2010.

Net revenue was down \$292.4 million or -7.5 percent compared to FY 2009. A timing issue caused \$32 million of revenue to be shifted into March. When this is factored in, net revenue was -6.5 percent compared to FY 2010.

This is above the REC estimate of -8.5 percent compared to FY 2009.

Through February, personal income tax revenue was down 4.4 percent, compared to the REC estimate of 3.6 percent. While income tax withholding is only down 1.1 percent, payment of estimated taxes is down 21.2 percent and payments with returns are down 17.7 percent. This suggests that tax refunds will be up dramatically as taxpayers file taxes due on April 30.

Total sales and use tax revenue decreased by 3.9 percent compared to FY 2009. This is above the REC estimate of 5.3 percent. Corporate income tax revenue is down 14.7 percent year-to-date, compared to the REC estimate of 18.1 percent. Corporate income tax revenue in February was up 49.6 percent compared to February 2009 but that was a historically low month so a relatively small increase of \$6.4 million correlated into a large percentage increase. Still this is a good sign if the trend continues.

Sin taxes had a strong month as cigarette taxes (up 3.4 percent), tobacco taxes (up 23.3 percent) and liquor profits (up 40 percent) all showed strong gains.

The next meeting of the Revenue Estimating Conference is scheduled for Thursday, March 11 at 1:30.

According to Fiscal Services, adjusting \$32 million of receipts into February due to a timing issue, year-to-date revenue is -6.5 percent, or 2 percentage points higher than the estimate of -8.5 percent. It is hoped that the \$110 million cushion will be enough to offset a surge in tax refunds in April and May.

It is not yet known if the REC will lower the estimate. Since revenue is running a little above the estimate, they may just adjust the tax refund number and leave the revenue estimate at -8.5 percent.

Unfortunately, despite the budget bills beginning to move in both chambers, Iowans still do not know how much the Democrats plan to spend on general fund programs. It is estimated that the final FY 2011 spending will approach \$6 billion when the money from the Cash Reserve Fund, remaining stimulus funds and underfunding of Medicaid are included in the total. Until the Democrats authorize LSA to release a general fund balance sheet, there is no way of knowing the exact numbers.

House Republicans will continue to review the Democrats' budget plan to if it does the following:

- The budget does not spend more than the state takes in
- Does not raise taxes, including property taxes
- Proposes real government efficiency and reorganization

In addition, House Republicans will continue to offer budget savings ideas, including the \$290 million in reductions offered on Senate File 2088, the State Government Reorganization bill.

### **House Republican Spending Reductions 2009-2010**

#### **2009**

- |   |              |
|---|--------------|
| • Eliminate “phantom employees” – funded, unfilled FTE positions  | \$25,000,000 |
| • Do the “Principal Plan” – require the Governor to negotiate a pay reduction for all employees – sliding scale of 2% cut for \$40K to 10% cut for over \$100K – apply to all non-union, all branches | \$72,500,000 |
| • Charge state employees a monthly fee for health insurance premiums – HAWK-I pays \$10 per month, charge state employees \$50 per for month for health insurance                                     | \$17,800,000 |
| • Sell the vehicle fleet, outsource vehicle leasing – one-time  | \$34,00,000  |
| • Infusion due to sale, ongoing savings of \$18 million minus the money for leasing vehicles  |              |
| • Reduce office supplies, service contracts, equipment purchases  | \$10,000,000 |
| • Combine all state information technology systems including combining the 6 different email systems  | \$20,000,000 |
| • Sell or lease the ICN   | \$15,000,000 |
| • Reduce funding for Library acquisitions at Regents by 50%   | \$13,500,000 |
| • No DNR land acquisition for FY 2010   | \$5,000,000  |
| • Freeze out of state travel (allow a waiver process via Executive Council for critical functions   | \$1,500,000  |
| • Eliminate “extras” on existing state vehicle purchases including bug shields, stereos, GPS systems and other add-ons  | \$87,000     |
| • Archiving Governor’s Records – reduce by 50%  | \$39,000     |
| • Eliminate Washington, DC Internship (seek private funding)  | \$90,000     |
| • Eliminate miscellaneous expenses for DOT garage in Rockwell City  | \$78,000     |
| • Eliminate charter flights by members of the DOT Commission  | \$17,000     |
| • End printing of annual reports – require them to be emailed   | *            |
| • Suspend per diem for ex officio members on boards & commissions   | *            |
| • Require all employees to turn in receipts for meal expenses   | *            |

\* Spending reduction amount undetermined

#### **2010**

- |   |              |
|---|--------------|
| • Eliminate Power Fund and Office of Energy Independence      | \$25,000,000 |
| • Eliminate the RIO office, give responsibilities to Homeland | \$1,000,000  |

Security	
• Eliminate taxpayer funded lobbyists	\$4,000,000
• Cancel all Regents sabbaticals for FY 2011	\$6,000,000
• End all state benefits to illegal immigrant adults	\$92,300,000
• Shift voluntary preschool responsibilities to Empowerment	\$45,000,000
• Combine administrative functions at Regents universities	\$62,000,000
• Eliminate funding for empty shelter care beds	\$2,000,000
• Delay implementation of core curriculum for one year	\$10,500,000
• Eliminate family planning waiver	\$2,000,000
• Sell and completely privatize the state vehicle fleet	\$18,000,000
• Sell or lease the ICN	\$15,000,000
• Cut funding office supplies, service contracts, equipment purchases	\$5,000,000
• Eliminate the Just Eliminate Lies program	\$2,250,000

### **As Mark Becker Trial Concludes, Legislature Looks to Prevent Future Tragedy**

Before Mark Becker murdered Ed Thomas, his former coach last summer, he used a baseball ball to beat the exterior of a house and lead police on a high speed chase. He was apprehended and the arresting officers determined Becker should be taken to a local hospital to evaluate his mental state.

Following the hospital's evaluation of Becker, he was discharged. No notice was given to the police department that this dangerous individual, whom they had arrest warrants for, was being released. A day later, Becker would walk into the Parkersburg High School weight room and murder Coach Thomas.

With the possibility of a verdict coming down at any moment, members of the Thomas family came to the Capitol earlier this week to promote a bill to prevent a similar situation from happening. The fix they seek is a relatively simple one that would enable an arresting officer to provide a form to the hospital at the time an individual is turned over for evaluation. That form would then place a requirement upon the hospital to notify the arresting agency before the individual is discharged.

The hospital's notification will give law enforcement the opportunity to be there to take that individual back into custody to face charges. Current law allows for a very similar process that requires an officer to acquire a court order from a magistrate. There are shortcomings to such a system, and creating a form for the officer to hand the hospital is seen as a way to put the responsibility in the hands of those directly involved and simplify the process at the same time.

The Senate originally attempted to address this issue in SF 2352. After reviewing it however, all parties agree that it can be improved. An amendment is expected to be adopted to SF 2352 in the House Judiciary committee this week. Members of the House have worked closely with the Thomas family to provide a simple fix that should help law enforcement and increase public safety.

### **\$1.3 Billion In Unclaimed Tax Refunds**

Yesterday, the Internal Revenue Service (IRS) announced they are sitting on more than \$1.3 billion in unclaimed 2006 federal income tax refunds. Approximately 1.4 million people that did not file a 2006 federal income tax return, qualify for checks. However, taxpayers have until April 15, 2010 to postmark their '06 return or Uncle Sam gets to keep their money.

The IRS estimates that 12,200 Iowans who did not file a 2006 return are missing out on \$10,000. The average estimated refund amounts to \$596 per taxpayer.

Federal law provides the majority of taxpayers with a three year window to claim their refund after the return is due, there is no penalty assessed on returns that qualify for a refund. Many individuals may not have filed an income tax return because they made too little income to require filing a tax return, even though taxes were withheld from their paychecks or made quarterly estimated payments.

According to the IRS, if individuals have not filed a 2007 or 2008 return and file for a 2006 refund, their checks will be held. Furthermore, the 2006 refund will be applied to any outstanding federal debt owed by an individual such as unpaid child support or past due student loan payments.

The IRS also notes that individuals may be missing out on more than just their 2006 refund. In 2006, most telephone customers qualified for a one-time telephone excise tax refund. In addition, many low income earners who did not file an '06 return likely did not claim the Earned Income Tax Credit.

Individuals seeking to file their 2006 return can obtain a prior year tax form by visiting the Forms and Publicans page on [www.irs.gov](http://www.irs.gov) or by calling 1-800-TAX-FORM (1-800-829-3676).

? Question of the Week? What do you think of the Cash for Appliances program? In your opinion should taxpayers be funding this program at this time or not? Let us know what you think at [steven.lukan@legis.state.ia.us](mailto:steven.lukan@legis.state.ia.us)

