TERRY E. BRANSTAD
GOVERNOR

OFFICE OF THE GOVERNOR

KIM REYNOLDS
LT. GOVERNOR

April 21, 2011

The Honorable John P. Kibbie
President of the Senate
State Capitol
Des Moines, Iowa 50319

Dear Mr. President:

I hereby transmit Senate File 209, an Act relating to public funding and regulatory matters by making appropriations, providing for certain additional depreciation allowances, increasing the state earned income tax credit, and including effective date and retroactive applicability provisions.

Senate File 209 made supplemental appropriations that were necessary as a result of past bad budgeting practices. For example, the current shortfall in the funds available to pay the state's indigent defense bills is the result of actions taken during the 2010 Session of the General Assembly wherein the Governor and General Assembly approved a budget for indigent defense that purposely underfunded this program by nearly $20 million. This decision was made with the full knowledge the 2011 General Assembly would be forced to take action to provide supplemental funds to the State Public Defender's office for this purpose. Similar poor budgeting practices by the General Assembly and Governor in 2010 necessitated $84 million dollars in cuts that were made in January of this year. Senate File 209 makes supplemental appropriations in areas where these cuts would affect the health and safety of Iowans.

Senate File 209 is, therefore, signed on this date with the following exceptions, which I hereby disapprove.

I am unable to approve the item designated as Division I. The item vetoed language in Division I of Senate File 209 would couple Iowa's tax law with that portion of the federal short term stimulus legislation which allows businesses to take additional depreciation related deductions, often referred to as "bonus depreciation". This short term measure is estimated to reduce revenue to the state general fund by over $27 million in Fiscal Year 2011, over $113 million in Fiscal Year 2012 and over $35 million in Fiscal Year 2013. Any temporary economic stimulus effect of bonus depreciation is primarily accomplished through the federal tax code. Iowa should

instead focus its energies on improving our state's long term competitive tax position for new job creation. With our limited budget, that is best accomplished by reducing our commercial property taxes which are second highest in the country and our marginal corporate tax rate which is the highest in the nation. The short term and misdirected approach to policy contained in Senate File 209 will not improve our tax climate for new jobs in Iowa.

I am committed to continuing a tax and jobs policy discussion with the House and Senate to adopt a package of tax reductions that stimulate our long-term economic growth and job creation. Acceptance of the provisions in Division I would prevent our ability to consider other more effective options and I disapprove these provisions in order to allow our tax policy discussions to continue.

I am unable to approve the item designated as Division II. The item vetoed language would increase the Earned Income Tax Credit from the current level of 7.0% of the federal credit to 10.0% of the federal credit. This change is estimated to reduce revenue to the state general fund by $28.5 million for Fiscal Years 2011-2013.

As earlier indicated, it is my desire to approach tax policy in a comprehensive and holistic manner. As such, I urge members of the House and Senate to continue to work with my office on an overall tax reduction package that both fits within our sound budgeting principles while reducing those taxes that are impeding our state's ability to compete for new business and jobs.

For the above reasons, I respectfully disapprove these items in accordance with Amendment IV of the Amendments of 1968 to the Constitution of the State of Iowa. All other items in Senate File 209 are hereby approved as of this date.

Sincerely,

Terry E. Branstad

TERRY E. BRANSTAD
Governor

Senate File 209

AN ACT

RELATING TO PUBLIC FUNDING AND REGULATORY MATTERS BY MAKING APPROPRIATIONS, PROVIDING FOR CERTAIN ADDITIONAL DEPRECIATION ALLOWANCES, INCREASING THE STATE EARNED INCOME TAX CREDIT, AND INCLUDING EFFECTIVE DATE AND RETROACTIVE APPLICABILITY PROVISIONS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

TEB

DIVISION I

2011 BONUS DEPRECIATION COUPLING

Section 1. Section 422.7, subsection 39A, unnumbered paragraph 1, as enacted by 2011 Iowa Acts, Senate File 512, section 18, is amended to read as follows:

The additional first-year depreciation allowance authorized in section 168(k) of the Internal Revenue Code, as enacted by Pub. L. No. 110-185, section 103, Pub. L. No. 111-5, section 1201, Pub. L. No. 111-240, section 2022, and Pub. L. No. 111-312, section 401, does not apply in computing net income for state tax purposes for tax years beginning before January 1, 2011. If the taxpayer has taken the additional first-year depreciation allowance for purposes of computing federal adjusted gross income, then the taxpayer shall make the following adjustments to federal adjusted gross income when computing net income for state tax purposes:

Sec. 2. Section 422.7, subsection 39B, unnumbered paragraph 1, as enacted by 2011 Iowa Acts, Senate File 512, section 18, is amended to read as follows:

The additional first-year depreciation allowance authorized in section 168(n) of the Internal Revenue Code, as enacted by Pub. L. No. 110-343, section 710, does not apply in computing net income for state tax purposes for tax years beginning

before January 1, 2011. If the taxpayer has taken the additional first-year depreciation allowance for purposes of computing federal adjusted gross income, then the taxpayer shall make the following adjustments to federal adjusted gross income when computing net income for state tax purposes:

Sec. 3. Section 422.35, subsection 19A, unnumbered paragraph 1, as enacted by 2011 Iowa Acts, Senate File 512, section 21, is amended to read as follows:

The additional first-year depreciation allowance authorized in section 168(k) of the Internal Revenue Code, as enacted by Pub. L. No. 110-185, section 103, Pub. L. No. 111-5, section 1201, Pub. L. No. 111-240, section 2022, and Pub. L. No. 111-312, section 401, does not apply in computing net income for state tax purposes for tax years beginning before January 1, 2011. If the taxpayer has taken the additional first-year depreciation allowance for purposes of computing federal taxable income, then the taxpayer shall make the following adjustments to federal taxable income when computing net income for state tax purposes:.

Sec. 4. Section 422.35, subsection 19B, unnumbered paragraph 1, as enacted by 2011 Iowa Acts, Senate File 512, section 21, is amended to read as follows:

The additional first-year depreciation allowance authorized in section 168(n) of the Internal Revenue Code, as enacted by Pub. L. No. 110-343, section 710, does not apply in computing net income for state tax purposes for tax years beginning before January 1, 2011. If the taxpayer has taken the additional first-year depreciation allowance for purposes of computing federal taxable income, then the taxpayer shall make the following adjustments to federal taxable income when computing net income for state tax purposes:

Sec. 5. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 6. RETROACTIVE APPLICABILITY. The following provision or provisions of this division of this Act apply retroactively to January 1, 2008, for tax years ending on or after that date:

1. The sections of this Act amending section 422.7, subsections 39A and 39B, as enacted by 2011 Iowa Acts, Senate File 512, section 18.

2. The sections of this Act amending section 422.35, subsections 19A and 19B, as enacted by 2011 Iowa Acts, Senate File 512, section 21.] TEB

~~DIVISION II~~

~~EARNED INCOME TAX CREDIT~~

~~Sec. 7. Section 422.12B, subsection 1, Code 2011, is amended to read as follows:~~

~~1. The taxes imposed under this division less the credits allowed under section 422.12 shall be reduced by an earned income credit equal to seven ten percent of the federal earned income credit provided in section 32 of the Internal Revenue Code. Any credit in excess of the tax liability is refundable.~~

~~Sec. 8. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2011, for tax years beginning on or after that date.~~

DIVISION III

SUPPLEMENTAL APPROPRIATIONS

Sec. 9. DEPARTMENT OF EDUCATION — COMMUNITY COLLEGES. After applying the reductions made pursuant to 2010 Iowa Acts, chapter 1193, section 27, to the appropriations made for the following designated purposes, there is appropriated from the general fund of the state to the department of education for the fiscal year beginning July 1, 2010, and ending June 30, 2011, the following amounts, or so much thereof as is necessary, to supplement the appropriations made for the following designated purposes:

1. MERGED AREA I — NORTHEAST IOWA COMMUNITY COLLEGE

For general state financial aid for merged area I, in 2010 Iowa Acts, chapter 1183, section 6, subsection 19, and reflecting a corrective addition of $4,474 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 298,883

2. MERGED AREA II — NORTH IOWA AREA COMMUNITY COLLEGE

For general state financial aid for merged area II, in 2010 Iowa Acts, chapter 1183, section 6, subsection 20, and reflecting a corrective reduction of $28,512 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 286,545

3. MERGED AREA III — IOWA LAKES COMMUNITY COLLEGE

For general state financial aid for merged area III, in 2010 Iowa Acts, chapter 1183, section 6, subsection 21, and reflecting a corrective reduction of $32,233 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 257,873

4. MERGED AREA IV — NORTHWEST COMMUNITY COLLEGE

For general state financial aid for merged area IV, in 2010 Iowa Acts, chapter 1183, section 6, subsection 22, and reflecting a corrective reduction of $13,939 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 128,526

5. MERGED AREA V — IOWA CENTRAL COMMUNITY COLLEGE

For general state financial aid for merged area V, in 2010 Iowa Acts, chapter 1183, section 6, subsection 23, and reflecting a corrective addition of $18,745 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 344,251

6. MERGED AREA VI — IOWA VALLEY COMMUNITY COLLEGE DISTRICT

For general state financial aid for merged area VI, in 2010 Iowa Acts, chapter 1183, section 6, subsection 24, and reflecting a corrective reduction of $25,507 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 251,942

7. MERGED AREA VII — HAWKEYE COMMUNITY COLLEGE

For general state financial aid for merged area VII, in 2010 Iowa Acts, chapter 1183, section 6, subsection 25, and reflecting a corrective reduction of $11,837 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 401,298

8. MERGED AREA IX — EASTERN IOWA COMMUNITY COLLEGE

For general state financial aid for merged area IX, in 2010 Iowa Acts, chapter 1183, section 6, subsection 26, and reflecting a corrective reduction of $4,921 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 508,961

9. MERGED AREA X — KIRKWOOD COMMUNITY COLLEGE

For general state financial aid for merged area X, in 2010 Iowa Acts, chapter 1183, section 6, subsection 27, and reflecting a corrective addition of $55,034 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 959,044

10. MERGED AREA XI — DES MOINES AREA COMMUNITY COLLEGE

For general state financial aid for merged area XI, in 2010 Iowa Acts, chapter 1183, section 6, subsection 28, and reflecting a corrective addition of $106,395 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 1,016,636

11. MERGED AREA XII — WESTERN IOWA TECH COMMUNITY COLLEGE

For general state financial aid for merged area XII, in 2010 Iowa Acts, chapter 1183, section 6, subsection 29, and reflecting a corrective reduction of $8,974 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 328,413

12. MERGED AREA XIII — IOWA WESTERN COMMUNITY COLLEGE

For general state financial aid for merged area XIII, in 2010 Iowa Acts, chapter 1183, section 6, subsection 30, and reflecting a corrective addition of $9,196 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 355,950

13. MERGED AREA XIV — SOUTHWESTERN COMMUNITY COLLEGE

For general state financial aid for merged area XIV, in 2010 Iowa Acts, chapter 1183, section 6, subsection 31, and reflecting a corrective reduction of $12,340 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 132,279

14. MERGED AREA XV — INDIAN HILLS COMMUNITY COLLEGE

For general state financial aid for merged area XV, in 2010 Iowa Acts, chapter 1183, section 6, subsection 32, and reflecting a corrective reduction of $43,717 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 409,622

15. MERGED AREA XVI — SOUTHEASTERN COMMUNITY COLLEGE

For general state financial aid for merged area XVI, in 2010 Iowa Acts, chapter 1183, section 6, subsection 33, and reflecting a corrective reduction of $11,864 in the overall amount appropriated for the merged area's general state financial aid for the fiscal year:

..... $ 248,098

16. COMMUNITY COLLEGE SALARIES. For distribution to

community colleges to supplement faculty salaries, in 2010 Iowa Acts, chapter 1183, section 8:

..... $ 20,415

Sec. 10. DEPARTMENT OF CORRECTIONS. After applying the reductions made pursuant to 2010 Iowa Acts, chapter 1193, section 27, and any transfers made pursuant to 2010 Iowa Acts, chapter 1193, section 28, to the appropriations made for the following designated purposes, there is appropriated from the general fund of the state to the department of corrections for the fiscal year beginning July 1, 2010, and ending June 30, 2011, the following amounts, or so much thereof as is necessary, to supplement the appropriations made for the following designated purposes:

1. For the operation of adult correctional institutions in 2010 Iowa Acts, chapter 1190, section 3, subsection 1, to be allocated as follows:

a. For the operation of the Fort Madison correctional facility in 2010 Iowa Acts, chapter 1190, section 3, subsection 1, paragraph "a":

..... $ 1,920,083

b. For the operation of the Anamosa correctional facility in 2010 Iowa Acts, chapter 1190, section 3, subsection 1, paragraph "b":

..... $ 1,293,060

c. For the operation of the Oakdale correctional facility in 2010 Iowa Acts, chapter 1190, section 3, subsection 1, paragraph "c":

..... $ 2,385,141

d. For the operation of the Newton correctional facility in 2010 Iowa Acts, chapter 1190, section 3, subsection 1, paragraph "d":

..... $ 1,101,460

e. For the operation of the Mount Pleasant correctional facility in 2010 Iowa Acts, chapter 1190, section 3, subsection 1, paragraph "e":

..... $ 1,359,865

f. For the operation of the Rockwell City correctional facility in 2010 Iowa Acts, chapter 1190, section 3, subsection 1, paragraph "f":

..... $ 412,008

g. For the operation of the Clarinda correctional facility in 2010 Iowa Acts, chapter 1190, section 3, subsection 1, paragraph "g":

..... $ 1,180,617

h. For the operation of the Mitchellville correctional facility in 2010 Iowa Acts, chapter 1190, section 3, subsection 1, paragraph "h":

..... $ 504,674

i. For the operation of the Fort Dodge correctional facility in 2010 Iowa Acts, chapter 1190, section 3, subsection 1, paragraph "i":

..... $ 1,162,060

2. For general administration in 2010 Iowa Acts, chapter 1190, section 4, subsection 1, paragraph "a":

..... $ 110,202

3. For the judicial district departments of correctional services in 2010 Iowa Acts, chapter 1190, section 5, subsection 1, to be allocated as follows:

a. For the first judicial district department of correctional services in 2010 Iowa Acts, chapter 1190, section 5, subsection 1, paragraph "a":

..... $ 393,353

b. For the second judicial district department of correctional services in 2010 Iowa Acts, chapter 1190, section 5, subsection 1, paragraph "b":

..... $ 360,912

c. For the third judicial district department of correctional services in 2010 Iowa Acts, chapter 1190, section 5, subsection 1, paragraph "c":

..... $ 221,793

d. For the fourth judicial district department of correctional services in 2010 Iowa Acts, chapter 1190, section 5, subsection 1, paragraph "d":

..... $ 169,067

e. For the fifth judicial district department of correctional services in 2010 Iowa Acts, chapter 1190, section 5, subsection 1, paragraph "e":

..... $ 723,637

f. For the sixth judicial district department of correctional services in 2010 Iowa Acts, chapter 1190, section 5, subsection 1, paragraph "f":

..... $ 460,329

g. For the seventh judicial district department of correctional services in 2010 Iowa Acts, chapter 1190, section 5, subsection 1, paragraph "g":

..... $ 265,431

h. For the eighth judicial district department of correctional services in 2010 Iowa Acts, chapter 1190, section 5, subsection 1, paragraph "h":

..... $ 177,991

Sec. 11. STATE PUBLIC DEFENDER. After applying the reductions made pursuant to 2010 Iowa Acts, chapter 1193, section 27, to the appropriations made for the following designated purposes, there is appropriated from the general fund of the state to the office of the state public defender of the department of inspections and appeals for the fiscal year beginning July 1, 2010, and ending June 30, 2011, the following amounts, or so much thereof as is necessary, to supplement the appropriations made for the following designated purposes:

1. For the office of the state public defender, in 2010 Iowa Acts, chapter 1190, section 10, subsection 1:

..... $ 2,551,500

2. For the fees of court-appointed attorneys for indigent adults and juveniles, in accordance with section 232.141 and chapter 815, in 2010 Iowa Acts, chapter 1190, section 10, subsection 2:

..... $ 16,000,000

Sec. 12. DEPARTMENT OF PUBLIC SAFETY. After applying the reductions made pursuant to 2010 Iowa Acts, chapter 1193, section 27, and any transfers made pursuant to 2010 Iowa Acts, chapter 1193, section 28, to the appropriations made for the following designated purposes, there is appropriated from the general fund of the state to the department of public safety for the fiscal year beginning July 1, 2010, and ending June 30, 2011, the following amounts, or so much thereof as is necessary, to supplement the appropriations made for the following designated purposes:

1. For the department's administrative functions in 2010 Iowa Acts, chapter 1190, section 14, subsection 1:

..... $ 275,000

2. For the division of criminal investigation in 2010 Iowa Acts, chapter 1190, section 14, subsection 2:

..... $ 325,000

3. For the division of narcotics enforcement in 2010 Iowa Acts, chapter 1190, section 14, subsection 4, paragraph "a":

..... $ 225,000

4. For the division of state fire marshal in 2010 Iowa Acts, chapter 1190, section 14, subsection 5:

..... $ 130,000

5. For the division of state patrol in 2010 Iowa Acts, chapter 1190, section 14, subsection 6:
..... $ 2,000,000

Sec. 13. DEPARTMENT OF PUBLIC HEALTH. After applying the reductions made pursuant to 2010 Iowa Acts, chapter 1193, section 27, and any transfers made pursuant to 2010 Iowa Acts, chapter 1193, section 28, to the appropriations made for the following designated purposes, there is appropriated from the general fund of the state to the department of public health for the fiscal year beginning July 1, 2010, and ending June 30, 2011, the following amounts, or so much thereof as is necessary, to supplement the appropriations made for the following designated purposes:

1. For addictive disorders, in 2010 Iowa Acts, chapter 1192, section 2, subsection 1:
..... $ 675,896

2. For healthy children and families, in 2010 Iowa Acts, chapter 1192, section 2, subsection 2:
..... $ 68,192

3. For community capacity, in 2010 Iowa Acts, chapter 1192, section 2, subsection 4:
..... $ 13,275

4. For healthy aging, in 2010 Iowa Acts, chapter 1192, section 2, subsection 5:
..... $ 403,500

5. For infectious diseases, in 2010 Iowa Acts, chapter 1192, section 2, subsection 7:
..... $ 51,688

Sec. 14. DEPARTMENT OF HUMAN SERVICES — APPROPRIATIONS. After applying the reductions made pursuant to 2010 Iowa Acts, chapter 1193, section 27, and any transfers made pursuant to 2010 Iowa Acts, chapter 1193, section 28, to the appropriations made for the following designated purposes, there is appropriated from the general fund of the state to the department of human services for the fiscal year beginning July 1, 2010, and ending June 30, 2011, the following amounts, or so much thereof as is necessary, to supplement the appropriations made for the following designated purposes:

1. For the state mental health institute at Cherokee, in 2010 Iowa Acts, chapter 1192, section 24, subsection 1, paragraph "a":
..... $ 784,607

2. For the state mental health institute at Clarinda, in 2010 Iowa Acts, chapter 1192, section 24, subsection 1, paragraph "b":

..... $ 623,793

3. For the state mental health institute at Independence, in 2010 Iowa Acts, chapter 1192, section 24, subsection 1, paragraph "c":

..... $ 1,235,916

Sec. 15. 2010 Iowa Acts, chapter 1193, section 84, subsection 2, unnumbered paragraph 1, is amended to read as follows:

For the duties of the office of the state debt coordinator established in 2010 Iowa Acts, Senate File 2383, if enacted, including salaries, support, maintenance, services, advertising, miscellaneous purposes, and for not more than the following full-time equivalent positions:

..... $ 300,000

..... FTEs 3.00

Beginning on the effective date of this division of this 2011 Iowa Act, moneys appropriated in this subsection that remain unencumbered or unobligated shall be used by the department of revenue for the administrative costs associated with state tax processing.

Sec. 16. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION IV

CORRECTIVE PROVISIONS

Sec. 17. 2010 Iowa Acts, chapter 1193, section 199, is amended to read as follows:

SEC. 199. TERRACE HILL — GENERAL FUND — DEPARTMENT OF ADMINISTRATIVE SERVICES. There is appropriated from the general fund of the state to the department of administrative services for the fiscal year beginning July 1, ~~2009~~ 2010, and ending June 30, ~~2010~~ 2011, the following amount, or so much thereof as is necessary, to be used for the purposes designated:

For salaries, support, maintenance, and miscellaneous purposes necessary for the operation of Terrace Hill, and for not more than the following full-time equivalent positions:

..... $ 263,329

..... FTEs 6.38

Sec. 18. EFFECTIVE UPON ENACTMENT AND RETROACTIVE

APPLICABILITY. This division of this Act, being deemed of immediate importance, takes effect upon enactment. The section of this division of this Act amending 2010 Iowa Acts, chapter 1193, section 199, applies retroactively to April 29, 2010.

DIVISION V

IOWA COMMUNICATIONS NETWORK

Sec. 19. IOWA COMMUNICATIONS NETWORK — AUTHORIZATION FOR CONTRACTS. Pursuant to section 8D.11, subsection 1, paragraph "a", the general assembly authorizes the Iowa telecommunications and technology commission to enter into contracts in excess of the contract limitation amount established in section 8D.11, subsection 1, paragraph "c", for purposes of the commission's project associated with the federal grant awarded to the commission under the federal broadband technology opportunities program. This authorization applies for the duration of the commission's project and to all affected contracts associated with the project and project funding.

Sec. 20. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION VI

ADULT MENTAL HEALTH AND INTELLECTUAL AND OTHER DEVELOPMENTAL DISABILITIES SERVICES SYSTEM REFORM

Sec. 21. ADULT MENTAL HEALTH AND INTELLECTUAL AND OTHER DEVELOPMENTAL DISABILITIES SERVICES SYSTEM REFORM — APPROPRIATION.

1. There is appropriated from the general fund of the state to the department of human services for the fiscal year beginning July 1, 2010, and ending June 30, 2011, the following amount, or so much thereof as is necessary, to be used for the purposes designated:

To be credited to the property tax relief fund created in chapter 426B and for distribution in accordance with appropriations made from the property tax relief fund enacted by the Eighty-fourth General Assembly, 2011 Session, pursuant to recommendations by the general assembly's committees on appropriations, to address needs in the publicly funded adult mental health and intellectual and other developmental disability services system, which may include but are not limited to eliminating county waiting lists or providing risk pool funding:

..... $ 20,000,000

2. It is the intent of the general assembly to enact legislation providing for the reform of the publicly funded adult mental health and intellectual and other developmental disability services system and to implement a new services system structure by July 1, 2013, when the repeals contained in this division of this Act take effect.

Sec. 22. Section 331.424A, Code 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 6. This section is repealed July 1, 2013.

Sec. 23. Section 331.438, Code 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 5. This section is repealed July 1, 2013.

Sec. 24. Section 331.439, Code 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 10. This section is repealed July 1, 2013.

Sec. 25. Section 331.440, Code 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 7. This section is repealed July 1, 2013.

Sec. 26. NEW SECTION. **426B.6 Future repeal.**

This chapter is repealed July 1, 2013.

Sec. 27. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION VII

TAXPAYERS TRUST FUND

Sec. 28. Section 8.54, subsection 5, Code 2011, is amended to read as follows:

5. For fiscal years in which it is anticipated that the distribution of moneys from the Iowa economic emergency fund in accordance with section 8.55, subsection 2, ~~results~~ will result in moneys being transferred to the general fund, the original state general fund expenditure limitation amount provided for in subsection 3 shall be readjusted to include the amount of moneys ~~which are so~~ anticipated to be so transferred.

Sec. 29. Section 8.55, subsection 2, Code 2011, is amended to read as follows:

2. *a.* The maximum balance of the fund is the amount equal to two and one-half percent of the adjusted revenue estimate for the fiscal year. If the amount of moneys in the Iowa economic emergency fund is equal to the maximum balance, moneys in excess of this amount shall be ~~transferred to the general fund.~~ distributed as follows:

(1) The first sixty million dollars of the difference

between the actual net revenue for the general fund of the state for the fiscal year and the adjusted revenue estimate for the fiscal year shall be transferred to the taxpayers trust fund.

(2) The remainder of the excess, if any, shall be transferred to the general fund of the state.

b. Notwithstanding paragraph "*a*", any moneys in excess of the maximum balance in the economic emergency fund after the distribution of the surplus in the general fund of the state at the conclusion of each fiscal year shall not be ~~transferred to the general fund of the state~~ distributed as provided in paragraph "*a*" but shall be transferred to the senior living trust fund. The total amount appropriated, reverted, or transferred, in the aggregate, under this paragraph, section 8.57, subsection 2, and any other law providing for an appropriation or reversion or transfer of an appropriation to the credit of the senior living trust fund, for all fiscal years beginning on or after July 1, 2004, shall not exceed the amount specified in section 8.57, subsection 2, paragraph "*c*".

Sec. 30. NEW SECTION. **8.57E Taxpayers trust fund.**

1. A taxpayers trust fund is created. The fund shall be separate from the general fund of the state and the balance in the fund shall not be considered part of the balance of the general fund of the state. The moneys credited to the fund are not subject to section 8.33 and shall not be transferred, used, obligated, appropriated, or otherwise encumbered except as provided in this section.

2. Moneys in the taxpayers trust fund shall only be used pursuant to appropriations made by the general assembly for tax relief.

3. *a.* Moneys in the taxpayer's trust fund may be used for cash flow purposes during a fiscal year provided that any moneys so allocated are returned to the fund by the end of that fiscal year.

b. Except as provided in section 8.58, the taxpayers trust fund shall be considered a special account for the purposes of section 8.53 in determining the cash position of the general fund of the state for the payment of state obligations.

4. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys deposited in the taxpayers trust fund shall be credited to the fund.

Sec. 31. Section 8.58, Code 2011, is amended to read as follows:

8.58 Exemption from automatic application.

1. To the extent that moneys appropriated under section 8.57 do not result in moneys being credited to the general fund under section 8.55, subsection 2, moneys appropriated under section 8.57 and moneys contained in the cash reserve fund, rebuild Iowa infrastructure fund, environment first fund, ~~and~~ Iowa economic emergency fund, and taxpayers trust fund shall not be considered in the application of any formula, index, or other statutory triggering mechanism which would affect appropriations, payments, or taxation rates, contrary provisions of the Code notwithstanding.

2. To the extent that moneys appropriated under section 8.57 do not result in moneys being credited to the general fund under section 8.55, subsection 2, moneys appropriated under section 8.57 and moneys contained in the cash reserve fund, rebuild Iowa infrastructure fund, environment first fund, ~~and~~ Iowa economic emergency fund, and taxpayers trust fund shall not be considered by an arbitrator or in negotiations under chapter 20.

Sec. 32. APPLICABILITY. The amendments in this division of this Act to sections 8.54 and 8.55 apply to moneys attributed to fiscal years beginning on or after July 1, 2011.

JOHN P. KIBBIE
President of the Senate

KRAIG PAULSEN
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 209, Eighty-fourth General Assembly.

MICHAEL E. MARSHALL
Secretary of the Senate

Approved April 21, 2011, with exceptions noted.

TERRY E. BRANSTAD
Governor