

Fiscal Facts 2004



IOWA
Legislative Services Agency
Fiscal Services Division
May 2004

To: Members of the Iowa General Assembly

From: Holly M. Lyons, Division Director
Fiscal Services Division

Re: Fiscal Facts

Date: May 2004

Fiscal Facts contains data relating to overall revenues and expenditures of State government, as well as detail regarding the most pertinent and discussed topic areas. Additional detailed data and information are available from the Fiscal Services Division of the Legislative Services Agency.

The FY 2004 data are estimates since the document is being issued prior to the close of FY 2004. **The data provided for FY 2005 represents action taken by the 2004 General Assembly, and does not reflect all veto action by the Governor.**

If you would like further information regarding any of the data provided within Fiscal Facts or have any comments and suggestions regarding this document, please do not hesitate to contact me.

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IOWA FISCAL FACTS TABLE OF CONTENTS

	Page
2004 Legislative Session Overview	
State of Iowa General Fund Balance.....	3
The Year in Review.....	4
Distribution of Estimated FY 2005 State General Fund Appropriations.....	6
Major Iowa Tax Changes.....	7
Clerk of Court Fees.....	9
County Enforcement Surcharge.....	10
Criminal Sentencing Practices and Procedures Act.....	11
Child Endangerment - Methamphetamine.....	13
Early Out III for State Employees.....	14
Elections and Voter Registration.....	15
Tobacco Settlement.....	17
Senior Living Trust Fund.....	20
Hospital Trust Fund.....	22
Environment First Fund.....	23
Government Finance and Taxation	
Expenditure Limitation.....	27
Iowa's Reserve Funds (Rainy Day Funds).....	28
Flow of General Fund Revenues After Expenditure Limitation.....	30
General Fund Balance Unreserved - GAAP Basis.....	32
State Funding Sources.....	33
State Expenditures - Governmental Funds.....	34
Sources of General Fund Growth.....	35
General Fund Receipts History	36
General Fund Receipt and Expenditures.....	37
General Fund Expenditures Shifted to Other Funding Sources.....	38
Revenue Transfers to the General Fund.....	38
Major State and Local Tax Sources.....	39
General Fund Receipts.....	41
Distribution of Major State and Local Tax Sources.....	42
State Gambling	43
Lottery Expenses as a Percent of Total Revenue.....	46
Resource Enhancement and Protection Fund.....	47
Iowa's Cash Management Practices.....	48
Debt Administration.....	48
Debt Management.....	49
Outstanding Debt by Entity.....	50

IOWA FISCAL FACTS TABLE OF CONTENTS

	Page
Budgets and Appropriations	
Iowa's Budget Process.....	53
Appropriated Spending.....	54
Distribution of Estimated FY 2005 State General Fund Appropriations.....	55
Non-General Fund Appropriated Funds.....	56
Federal Funds.....	57
Growth of Selected General Fund Budgets.....	58
Change in Selected Budgets.....	58
Infrastructure Funding	59
Infrastructure Funding Appropriations.....	60
Salary Adjustment.....	61
State and Local Government	
Annual Cost Per Participant for Major State Programs.....	65
Full-Time Equivalent Positions.....	66
Collective Bargaining Settlements.....	67
Budgeted County Expenditures.....	68
General Fund Financial Assistance to Local Governments.....	69
The Iowa Communications Network.....	70
Iowa Communications Network Funding.....	72
Iowa Economy	
Economic Summary.....	75
Distribution of Net Taxable Valuation by Class of Property.....	76
Percentage Distribution of Property Taxes by Taxing Authority.....	76
Education	
Paying for Public Education - The Iowa School Foundation Formula.....	79
General Fund Appropriations for K-12 State Aid.....	82
K-12 School Districts' Revenue.....	83
K-12 Source of Funds.....	84
Average K-12 Expenses for an Iowa School Year.....	85
General Fund Appropriations for Community Colleges.....	86
General Fund Appropriations for Regents Institutions.....	87
General Fund Appropriations for Tuition Grants.....	88

IOWA FISCAL FACTS TABLE OF CONTENTS

	Page
Education (Cont'd.)	
Regents Enrollments and Tuition Data - Historical Comparison.....	89
Human Services	
Department of Human Services Programs.....	93
Dept. of Human Services FY 2005 Major Programs.....	95
Total Medical Assistance Spending.....	96
Medical Assistance Program Caseload and Cost Per Case.....	98
Family Investment Program Caseload and Cost Per Case.....	99
Children's Health Insurance (CHIP) Program.....	100
Crime/Enforcement	
Prisons/Corrections	103
Prison Population.....	105
Judicial Branch Appropriations and FTE Positions.....	106
Court Case Filings	106
Year-End Prison Population, Staffing, and Budget	107
Average Prison Population and Average Cost Per Prisoner.....	107
Indigent Defense and State Public Defender Expenditures.....	108
Indigent Defense and State Public Defender Costs Per Claim.....	108
Transportation	
Road Use Tax Fund.....	111
State Profile	
Iowa's Population Change by County	117
Iowa's Population	118

**2004 LEGISLATIVE
SESSION OVERVIEW**

**STATE OF IOWA
GENERAL FUND BALANCE
(\$ in millions)**

	<u>FY 2004 Estimated</u>	<u>FY 2005 Legislative Action*</u>
<i>Estimated Funds:</i>		
Estimated Receipts		
Rev. Est. Conference	\$ 5,227.2	\$ 5,296.6
Transfers & Adjustments	<u>- 0.1</u>	<u>- 63.5</u>
Total Receipts	5,227.1	5,233.1
Tax Refunds	- 725.5	- 696.0
Accruals	<u>11.7</u>	<u>1.9</u>
<i>Total Funds</i>	<u>4,513.3</u>	<u>4,539.0</u>
<i>Est. Appropriations:</i>		
General Fund	4,491.9	4,464.3
Reversions	<u>- 12.5</u>	<u>- 38.5**</u>
<i>Net Appropriations</i>	<u>4,479.4</u>	<u>4,425.8</u>
<i>Ending Balance prior to Cash Reserve</i>	<u>\$ 33.9</u>	<u>\$ 113.2</u>

*Prior to action by the Governor.

**Includes an estimated reversion of \$26.0 million from the University of Iowa Hospital and Clinics for FY 2005 if an increase in the Medicaid reimbursement is approved by the federal government.

THE YEAR IN REVIEW**FY 2004**

Iowa experienced reduced revenues and a sluggish economy during the first half of FY 2004. In October 2003, the Revenue Estimating Conference (REC) reduced its projection of FY 2004 General Fund revenue by \$142.2 million. The Governor responded by issuing an Executive Order calling for a 2.5% across-the-board reduction in State budgets for Executive Branch agencies for FY 2004. The Legislature ordered a self-imposed 2.5% reduction on the Legislative Branch budget. Agencies designated as Charter Agencies were exempt from the reductions. These agencies include the Departments of Corrections, Human Services, Natural Resources, Revenue, the Alcoholic Beverages Division of the Department of Commerce, and the Iowa Veterans Home. The Order reduced State expenditures by \$82.6 million. One-time sources of funding amounting to \$258.8 million were used to balance the FY 2004 budget.

Revenue growth improved slightly during the last two quarters of FY 2004, and the March REC increased FY 2004 growth projections by \$30.8 million for a total projected growth of 1.8% before transfers, accruals, and refunds. The 2004 General Assembly passed General Fund supplemental appropriations totaling \$765,000 to the Secretary of State for the Help America Vote Act. The current projected General Fund ending balance for FY 2004 is \$33.9 million.

FY 2005

Revenue growth projections in Iowa continue to improve slightly for FY 2005, with the REC estimating growth in total receipts (before refunds and accruals) to be 1.8% for FY 2005. According to the National Conference of State Legislatures (NCSL), many states are experiencing small improvements in their budget situations after several years of serious budget gaps. Thirty-three states predict budget gaps in FY 2005, although the sizes of the gaps are smaller than in prior years. Many states however, including Iowa, have depleted budget reserves in order to balance the General Fund budget.

THE YEAR IN REVIEW (Cont'd.)

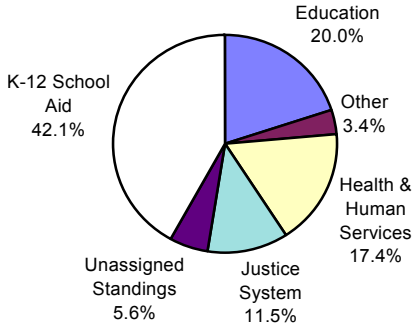
The Iowa General Assembly appropriated \$4.464 billion from the General Fund for FY 2005 and shifted \$430.0 million in expenditures from the General Fund to other sources. Included in the \$430.0 million was property tax credits totaling \$159.6 million that was shifted to the Cash Reserve Fund for FY 2005:

- Homestead Tax Credit - \$102.9 million.
- Agricultural Land Tax Credit - \$34.6 million.
- Military Service Tax Credit - \$2.6 million.
- Elderly & Disabled Tax Credit - \$19.5 million.

The FY 2005 budget includes an estimated reversion of \$26.0 million from the University of Iowa Hospital and Clinics for FY 2005 if an increase in the Medicaid reimbursement is approved by the federal government. The Medicaid reimbursement increase offsets the reversion. The Department of Human Services (DHS) budget includes an increase of \$9.4 million in FY 2005 for the State Medicaid reimbursement match. Estimated net savings to the State General Fund for FY 2005 is \$16.4 million.

Prior to any item vetoes by the Governor, the projected General Fund ending balance for FY 2005 is \$113.2 million.

**DISTRIBUTION OF ESTIMATED FY 2005
STATE GENERAL FUND APPROPRIATIONS
(\$ in millions)**



<u>Subcommittee</u>	<u>Est. FY 2005 Appropriations</u>	<u>Percent of Total</u>
Admin. & Regulation	\$ 92.0	2.1%
Ag. & Natural Resources	34.2	0.8
Economic Development	22.2	0.5
Education	891.9	20.0
Health & Human Services	778.7	17.4
Justice System	513.4	11.5
Trans. & Infrastructure	0.1	0.0
Unassigned Standings	250.6	5.6
K-12 School Aid	1,881.2	42.1
Total	\$ 4,464.3	100.0%

Note:

"Other" includes Administration and Regulation, Agriculture and Natural Resources, Economic Development, and Transportation and Infrastructure.

MAJOR IOWA TAX CHANGES**Wind Energy Tax Credit**

Senate File 2298 (FY 2005 Omnibus Appropriation Bill) creates a production tax credit for facilities generating wind energy in Iowa. The tax credit is equal to \$0.01 per kilowatt-hour of electricity sold to an unrelated person during a ten-year period. The impact on General Fund revenues depends on the number and size of facilities constructed during the three-year period allowed under the Bill. If 900 megawatts of wind generation capacity are constructed during the period, the projected net General Fund revenue reduction over 16 fiscal years is \$28.2 million. The impact on FY 2005 would be positive and the impact on FY 2006 through FY 2015 would be negative. The impact for FY 2016 through FY 2020 is projected to be positive.

Private School Tuition Organization Tax Credit

Senate File 2295 (2004 Private School Tuition Tax Credit Bill) creates an income tax credit for contributions to a private School Tuition Organization. The tax credit is equal to 75.0% of the amount contributed. The amount of the contribution is capped at \$700 for a single filer and \$800 for a married return. The Organization is required to use the donated funds for scholarships to attend private elementary and secondary schools in Iowa. The Bill is projected to reduce General Fund revenue by \$3.6 million in FY 2006 and \$7.9 million in FY 2007.

Residential Utilities

Senate File 2026 (2004 Residential Utility Tax Phase-Out Bill) reenacts the phase-out of Iowa's sales/use tax on residential energy. Two 2003 Session tax law changes and a Governor's item veto resulted in elimination of the phase-out and a return to the previous 5.0% State sales tax beginning July 1, 2004. The change in SF 2026 restores the rate to its former schedule. The tax rate will be reduced to 1.0% January 1, 2005, and 0.0% January 1, 2006. The fiscal impact is a decrease in General Fund revenues of \$63.4 million in FY 2005 and an additional \$18.7 million in FY 2006.

MAJOR IOWA TAX CHANGES (Cont'd.)**New Jobs and Income**

Senate File 2290 (2004 New Jobs and Income Program Expansion Bill) modifies economic development incentive requirements under the New Jobs and Income Program, New Capital Investment Program, and Enterprise Zone Program. The Bill allows rents charged by a third-party developer to be included as a capital investment when calculating eligibility for incentive benefits. The exemption is projected to reduce General Fund revenue by \$1.0 million in FY 2005 and \$1.4 million in FY 2006.

CLERK OF COURT FEES

During the 2004 Legislative Session, the following Judicial Branch legislation was passed. House File 2572 creates a filing fee for criminal motion to show cause. Under current law, there is a filing fee for motion to

show cause in a civil procedure but not for a criminal case. The filing fee for contempts arising out of simple misdemeanors would be \$17 and for all other criminal cases, the fee would be \$30. House File 2572 also increases the fee from \$10 to \$20 for the filing of a change of title certificate.

House File 2572 increases revenue to the General Fund by approximately \$287,000 annually.

COUNTY ENFORCEMENT SURCHARGE

During the 2004 Legislative Session, the General Assembly approved HF 2569, which allows each county's board of supervisors discretion in determining if the \$5 surcharge would be assessed for citations issued by county sheriffs in addition to the fine and any other surcharge currently assessed.

Under current law, counties must write a citation to the State offense for violations under Sections 805.8A, 805.8B, and 805.8C, Code of Iowa. If the county writes a citation to the State offense, 100.0% of the revenue generated from the fine is deposited to the State. (The only exception is for proof of insurance, in which 25.0% of the revenue is deposited to the counties, 50.0% is deposited to the Victim Compensation Fund, and 25.0% to the State General Fund.) House File 2569 would allow an additional \$5 surcharge to be imposed on a citation issued by the county sheriff and the revenue from this surcharge will be deposited into the county's general fund.

In FY 2003, the sheriffs were identified as the arresting agency in approximately 63,000 State scheduled traffic citations. (However, the Clerks of Court did not always identify the arresting agency in the Iowa Court Information System.) The collection rate for scheduled traffic violations in HF 2569 for year one is 94.0%, for year two is 96.0%, and for year three and each year thereafter it is 96.5%.

House File 2569 will increase General Fund expenditures to the Judicial Branch by approximately \$68,000 in FY 2005. The estimated cost for FY 2006 and future years is \$61,000 annually.

The chart below shows the revenue anticipated from the county enforcement surcharge, which will be deposited into the county general fund in the county where the citation was issued. This estimate is based on all 99 counties implementing the \$5 surcharge.

Increased Revenue from the \$5 County Enforcement Surcharge

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
County Enforcement Surcharge	\$ 298,000	\$ 304,000	\$ 306,000

**CRIMINAL SENTENCING PRACTICES
AND PROCEDURES BILL**

During the 2004 Legislative Session, the General Assembly approved SF 2275. The Bill permits the Board of Parole to consider certain offenders for parole: those serving an “85.0%” sentence where, under current law, an offender must serve 85.0% of the sentence in the State prison system. Under current law, these offenders will be released from prison without parole. Those offenders who receive parole under SF 2275 are required to serve the remainder of their term on parole.

Under current law, an offender convicted of certain crimes after July 1, 2003, is eligible for parole after 70.0% of the maximum term has been served in the State prison system. An offender who was convicted before July 1, 2003, could have the sentence reopened by motion of the County Attorney, and if the sentence is reopened, the offender becomes eligible for parole after 70.0% of the maximum sentence is served in the State prison system. To date, no County Attorney has filed a motion to reopen a sentence. This option is repealed in SF 2275.

Senate File 2275 provides an option for those offenders sentenced before July 1, 2003. There were 684 such offenders on June 30, 2003. Those eligible to be released over the next five years are all Class C felons convicted of Second Degree Robbery. No Class B felons will be released in the next five years.

The average length of stay for certain offenders will decrease under SF 2275. The table below illustrates the estimated cumulative impact on the prison population.

Offenders Released Under SF 2275

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Number of Offenders	- 40	- 66	- 76	- 74	- 52

The offenders released in FY 2005 will be placed on Intensive Supervision since their length of stay on parole will be short. Offenders released in future fiscal years will serve time in Work Release facilities, and then be transferred to intensive supervision.

**CRIMINAL SENTENCING PRACTICES
AND PROCEDURES BILL (Cont'd.)**

The estimated fiscal impact of SF 2275 to the State General Fund is an increase in expenditures of \$115,000 during FY 2005, and an increase in expenditures of \$161,000 in FY 2006. A breakdown of expenditures follows:

Fiscal Impact of SF 2275

State Agency	FY 2005	FY 2006
Board of Parole	\$ 60,000	\$ 40,000
Community-Based Corrections	55,000	121,000
Total	\$ 115,000	\$ 161,000

The Board of Parole will require two additional staff: a clerk and a statistical analyst. Additional Community-Based Corrections (CBC) supervision staff will be required statewide in future fiscal years: 1.0 FTE position in FY 2005 and 2.2 FTE positions in FY 2006.

**CHILD ENDANGERMENT
METHAMPHETAMINE**

The General Assembly passed HF 2150 that establishes a child endangerment offense for permitting the presence of a child or minor at a location where amphetamine or methamphetamine is either

manufactured or where products are possessed with the intent to manufacture a controlled substance. The offense is punishable as a Class D felony.

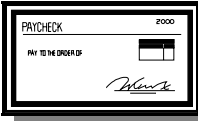
During FY 2005, HF 2150 will result in an estimated 96 additional offenders being convicted of child endangerment. Thirty-five convictions will be for a Class D felony and 61 convictions will be for an aggravated misdemeanor. For FY 2006 and each year thereafter, there will be 191 additional convictions: 69 Class D felonies and 122 aggravated misdemeanors.

During FY 2005, it is estimated that 96 additional offenders will be sentenced as follows: 27 to State prison, 68 to probation, and 26 to county jail. During FY 2006 (annualized impact), the 191 additional offenders will be sentenced as follows: 54 to State prison, 146 to probation, and 51 to county jail. Certain offenders will receive a split sentence, such as jail and probation.

Admissions to the State prison system will increase by an estimated 27 in FY 2005, 54 in FY 2006, and 64 in FY 2009. The prison population will increase by 27 in FY 2005, 69 in FY 2006, and 92 in FY 2009. Admissions to probation supervision will increase by 68 in FY 2005, 146 in FY 2006, and 191 in FY 2009. Admissions to county jails will increase by 26 in FY 2005, and 51 each year thereafter.

The estimated impact to the State General Fund in FY 2005 is \$218,000 and \$748,000 in FY 2006. The fiscal impact on county jails is estimated to be \$16,000 in FY 2005 and \$31,000 in FY 2006.

EARLY OUT III FOR STATE EMPLOYEES



House File 2497 (FY 2005 Early Out III for State Employees Bill) provides an incentive to Executive Branch employees to end State employment by paying the employee up to the lesser of 75.0% of the employee's regular annual salary or an amount equal to 75.0% of the value of the employee's accumulated unused sick leave. The Bill requires the Legislative Council to provide a similar program for Legislative Branch employees.

Employees whose years of service and age combine to equal or exceed 75 that submit an application and agree to sever employment and not return to permanent part-time or full-time employment with the State, are eligible to participate. The Executive Branch employee must separate from State employment on or after July 2, 2004, and no later than August 12, 2004.

The employee will be paid the sick leave amount and their accumulated vacation pay over a five-year period beginning in FY 2005 and ending in FY 2009.

The employee will also be eligible to continue family group insurance coverage through purchase in the same manner as a retired employee as provided in Section 509A.13, Code of Iowa, until reaching age 65.

House File 2497 is expected to have a cost avoidance of approximately \$5.4 million in FY 2005, \$6.6 million annually for FY 2006 through FY 2008, \$7.7 million in FY 2009, or \$32.8 million over five years from all funding sources. The General Fund share would be approximately \$2.7 million in FY 2005, \$3.1 million annually for FY 2006 through FY 2008, \$3.4 million in FY 2009, or \$15.4 million over five years.

ELECTIONS AND VOTER REGISTRATION



The General Assembly passed SF 2269 (FY 2005 Election Law Changes Bill). The Act amends the Code of Iowa to implement the federal Help America Vote Act provisions required of all states. This includes changes to the following areas:

- Implementing uniform and nondiscriminatory complaint procedures.
- Establishing a centralized computer system for voter registration. The estimated cost of the system is \$3.0 to \$5.0 million.
- Establishing a State Planning and Implementation Committee.
- Providing voter registration by mail requirements and voter eligibility.
- Verifying voter registration information.
- Providing written instructions to voters and precinct election officials.
- Posting instructions and sample ballots at poll sites.
- Establishing procedures for challenged voters to cast provisional ballots.
- Purchasing voting machines by counties, including at least one voting machine that meets the federal Americans with Disabilities Act requirements. The cost to replace existing machines that do not meet the new certification requirements is an estimated \$24.0 million.
- Establishing duties of the election officers.
- Placing of voting machines at the polls.
- Establishing duties of the State Commissioner of Elections.
- Amending the Code of Iowa relating to absentee ballot voting.

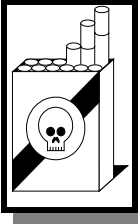
Iowa could receive up to \$35.0 million in federal funding for implementing the required federal provisions of the Help America Vote Act. Iowa has received the first \$5.0 million, for which no match was required. The

**ELECTIONS AND VOTER
REGISTRATION (Cont'd.)**

State is required to meet the federal requirements whether adequate federal funding is received or not.

In FY 2003, matching funds for another \$8.4 million were provided through Section 8.39, Code of Iowa, transfer authority of the Governor, and in the 2004 Legislative Session, another \$765,000 was appropriated in FY 2004 to complete the match for \$15.3 million.

TOBACCO SETTLEMENT



On November 20, 1998, forty-six states approved a settlement agreement with the four major tobacco industry manufacturers comprising 99.4% of the United States cigarette market. The manufacturers agreed to a settlement valued at \$206.4 billion to be paid over 25 years to settle tobacco-related lawsuits filed by the states.

Iowa will receive approximately 0.87% (\$1.8 billion) of the total funds allocated for distribution to the states. Iowa began to receive payments in April 2000 (\$55.8 million). Payments increased to \$73.0 million in April 2003. Iowa is scheduled to receive \$60.9 million annually for the years 2004 through 2007, \$62.1 million annually for the years 2008 through 2017, and \$69.6 million annually for the years 2018 through 2025. Iowa securitized its payments due under the Master Settlement Agreement in 2001. Of the payments due to Iowa, 78.0% is dedicated to bond payments while 22.0% is deposited in the Endowment for Iowa's Health Account.

The 2001 General Assembly passed SF 532 that authorized securitization of the tobacco settlement payment. The Act authorized the sale of \$600.0 million tax-exempt and \$50.0 million taxable securities for 30 years. The net tax-exempt proceeds (\$540.0 million) were placed in the Tobacco Settlement Trust Fund Restricted Capital Funds Account. These funds are used for litigation payments, qualified capital projects, and certain debt service. The net taxable proceeds (\$39.6 million) were placed in the Endowment for Iowa's Health Account, to create an endowment for future appropriations for health-related programs. The 2001 General Assembly also created the Healthy Iowans Tobacco Trust, which provides a mechanism to appropriate funds from the Endowment for health-related programs.

The 2004 General Assembly passed several bills that impacted the Endowment and the Healthy Iowans Tobacco Trust Fund:

- Senate File 2298 (FY 2005 Omnibus Appropriations Bill) eliminated the FY 2005 General Fund appropriation of \$29.8 million to the Endowment.

TOBACCO SETTLEMENT (Cont'd.)

Senate File 2298 also transferred \$11.0 million to the Rebuild Iowa Infrastructure Fund. The Bill also commits future General Fund receipts, after certain conditions have been met, to reimburse the Endowment \$171.6 million for the following items:

- \$40.0 million for the FY 2002 Teacher Quality Student Achievement Act.
- \$20.0 million for the FY 2003 School Aid appropriation.
- \$2.5 million for the FY 2002 Medicaid Supplemental appropriation.
- \$22.0 million transferred to the General Fund in FY 2002.
- \$9.0 million transferred from the Endowment to the General Fund in FY 2003.
- \$20.0 million transferred to the General Fund in FY 2004.
- \$28.3 million to replace the General Fund appropriation that was eliminated in FY 2004.
- \$29.8 million to replace the General Fund appropriation that was eliminated in FY 2005.

House File 2277 (FY 2005 Healthy Iowans Tobacco Trust Appropriations Bill) transfers \$6.3 million from the Endowment to the Healthy Iowans Tobacco Trust.

Refer to the section on Infrastructure Funding for information related to the Restricted Capital Fund.

TOBACCO SETTLEMENT (Cont'd.)

Endowment For Iowa's Health Account

	Estimated FY 2004	Estimated FY 2005
Resources		
Beginning Balance	\$ 25,800,689	\$ 27,213,709
General Fund Appropriation	28,251,000	29,785,000
Deappropriation	- 28,251,000	- 29,785,000
Wagering Tax Allocation	70,000,000	70,000,000
22.0% of Master Settlement Agreement Payment	12,086,781	12,122,000
Litigation Revenue	445,574	3,582,000
Interest Earned	750,000	750,000
Total	\$109,083,044	\$ 113,667,709
Appropriations		
Healthy Iowans Tobacco Trust	\$ 56,662,375	\$ 57,512,311
Healthy Iowans Tobacco Trust	5,206,960	6,316,077
Transfer to General Fund	20,000,000	0
Transfer to Rebuild Iowa Infrastructure Fund	0	10,966,960
Total	81,869,335	74,795,348
Ending Balance	\$ 27,213,709	\$ 38,872,361

Healthy Iowans Tobacco Trust Fund

	Estimated FY 2004	Estimated FY 2005
Resources		
Beginning Balance	\$ 1,526,749	\$ 3,848
Transfer from the Endowment	56,662,375	57,512,311
Endowment (Wagering Tax Allocation)	5,206,960	6,316,077
Interest Earned	120,000	120,000
Total	\$ 63,516,084	\$ 63,952,236
Appropriations		
Department	Intended Use	
Public Health	Tobacco Use Prevention/Control, Sub. Abuse, Healthy Iowans 2010, Center for Congenital & Inherited Disorders Defibrillator Grant Program	
	\$ 19,633,525	\$ 19,509,525
Human Serv.	Medicaid Elig. for Special Needs Children	
	1,975,496	1,975,496
	Medicaid Provider Reimbursements	
	22,845,930	22,845,930
	Supplement Medicaid Appropriation from General Fund	
	14,346,750	14,346,750
	Supplement Children's Health Insurance Program (CHIP)	
	200,000	200,000
	Breast/Cervical Cancer Treatment	
	250,000	250,000
	Health-Related Programs	
	0	274,000
Corrections	Day Programming, Drug Courts, Sub. Abuse Treatment, Clinical Care Unit	
	2,107,285	2,167,285
Education	Iowa Empowerment Fund	
	2,153,250	2,153,250
Blind	Statewide Newslines	
	0	130,000
Total Appropriations	63,512,236	63,852,236
Ending Balance	\$ 3,848	\$ 100,000

SENIOR LIVING TRUST FUND

Senate File 2298 (FY 2005 Omnibus Appropriations Bill) appropriates \$162.6 million from the Senior Living Trust Fund to the Department of Human Services (DHS), the Department of Elder Affairs, the Department of Inspections and Appeals, and the Department of Commerce.

For FY 2005, the Bill appropriates the following:

- \$101.6 million to the DHS to supplement the Medical Assistance (Medicaid) Program.
- \$30.0 million to the DHS for nursing facility provider reimbursements.
- \$20.0 million to the DHS for nursing facility conversion grants and the establishment and expansion of home and community-based services.
- \$1.7 million to the DHS to supplement the Medicaid and the State Supplementary Assistance Program.
- \$8.2 million to the Department of Elder Affairs for the Senior Living Program, which primarily provides for home and community-based services for seniors.
- \$800,000 to the Department of Inspections and Appeals for assisted living and adult day care program oversight.
- \$265,000 to the Department of Commerce for the Long-Term Care Partnership Program.
- A contingent appropriation of \$250,000 to the Department of Commerce, Insurance Division, was provided in HF 2554 (Prescription Drug Assistance Program Bill) if federal funds are not received by October 2004 to implement a program designed to improve access to medically necessary prescription drugs and provide assistance for accessing manufacturer prescription drug programs.

It is anticipated that Iowa will no longer receive deposits into the Fund in FY 2005 and beyond due to recent federal actions targeted at eliminating existing Intergovernmental Transfers (IGTs) in all states. If future appropriations from the Fund remain at FY 2005 levels, it is projected that the Fund will be depleted in FY 2006.

SENIOR LIVING TRUST FUND (Cont'd.)

House File 2039 (98.0% Expenditure Limitation Bill) required that at the close of FY 2006, an amount equal to 1.0% of the adjusted revenue estimate from the

General Fund surplus be appropriated to the Senior Living Trust Fund before surplus funds are transferred to the Cash Reserve Fund. If the surplus is less than 2.0%, then the amount appropriated to the Fund will be equal to one-half of the surplus. These appropriations to the Fund are to continue until \$118.0 million has been deposited.

**Senior Living Trust Fund
(\$ in millions)**

	<u>Estimated FY 2005</u>
Revenues	
Beginning Balance	\$ 278.7
Interest	3.4
Total Revenues	<u>282.1</u>
Expenditures	
NF Conversion/LTC Service Grants	\$ 20.0
DHS Service Delivery	
Assisted Living Rent Subsidy	0.7
HCBS Elderly Waiver	0.7
NF Case Mix and Price Methodology	30.0
Medical Assist. Program (Medicaid)	101.6
DHS Administration and Contracts	0.3
DHS Total	<u>153.30</u>
DEA Service Delivery	
Senior Living Program	7.70
DEA and Contract Administration	0.5
DEA Total	<u>8.2</u>
DIA - Asst'd. Living & Adult Day Care	0.80
Dept. of Commerce - LTC Partnership Prog.	0.3
Total Expenditures	<u>\$ 162.6</u>
Ending Balance	<u>\$ 119.5</u>

NF = Nursing Facility

LTC = Long-Term Care

HCBS = Home and Community-Based Services

DEA = Department of Elder Affairs

DIA - Department of Inspections and Appeals

HOSPITAL TRUST FUND



Senate File 2298 (FY 2005 Omnibus Appropriations Bill) appropriates a total of \$37.5 million from the Hospital Trust Fund to the Department of Human Services (DHS) to supplement the Medical Assistance Program for FY 2005. This is an increase of \$8.5 million compared to FY 2004.

House File 763 (Hospital Trust Fund Act) created a Trust Fund similar to the Senior Living Trust Fund. The Fund was created during the Second Extraordinary Session of the 79th General Assembly in November 2001. Following that, the DHS filed the request to the federal Centers for Medicare and Medicaid Services (CMS) to allow the State of Iowa to participate in the federal upper payment limit process for hospitals (which would generate the revenues to be deposited into the Hospital Trust Fund). The Act allowed the DHS to request and receive these enhanced federal funds.

Currently, Medicaid payments may not exceed 150.0% of a reasonable estimate of what Medicare would have paid for the same services. The State Medicaid Plan amendment, effective November 26, 2001, as approved by the CMS, allows reimbursement based on Medicare rates which are higher than Medicaid. Iowa is the 36th state to utilize this funding mechanism.

ENVIRONMENT FIRST FUND

The Environment First Fund was created by the 2000 General Assembly to provide funding for the protection, conservation, enhancement, or improvement of natural resources or the environment. The Environment First Fund receives an annual appropriation of \$35.0 million from the Rebuild Iowa Infrastructure Fund (RIIF). The General Assembly annually appropriates from the Environmental First Fund for specific environmental projects. For FY 2005, \$14.0 million is appropriated to the Department of Agriculture and Land Stewardship for soil and water conservation initiatives, \$500,000 to the Department of Economic Development for the Brownfield Redevelopment Program, and \$20.5 million to the Department of Natural Resources (DNR) for environmental programs. Included in the DNR funding is \$11.0 million for the Resource Enhancement and Protection (REAP) Fund. The DNR received an additional appropriation of \$500,000 from the RIIF for the Destination State Park.

The General Assembly passed HF 2538 (FY 2004 Environment First Supplemental Fund Bill), which provided a supplemental appropriation of \$17.5 million from the Cash Reserve Fund to the Environment First Fund for FY 2004. The funding was necessary due to a projected revenue shortfall in the RIIF resulting from the Iowa Supreme Court ruling on June 12, 2002, that reduced the State tax on gambling at the racetracks from 32.0% to 20.0%. Contracts to continue implementing environmental programs through the remainder of the fiscal year were in jeopardy due to lack of funds in the Environment First Fund and the RIIF.

ENVIRONMENT FIRST FUND (Cont'd.)

Environment First Fund (\$ in millions)

Resources	FY 2005
Rebuild Iowa Infrastructure Fund Approp.	<u>\$ 35.0</u>
Expenditures	
Department of Agriculture	
Conservation Reserve Enhancement Program (CREP)	1.5
Watershed Protection Program	2.7
Farm Demonstration Program	0.9
Soil Conservation Cost Share	5.5
Agricultural Drainage Wells	0.5
Conservation Reserve Program (CRP)	2.0
Loess Hills Conservation Authority	0.6
Southern Iowa Conservation and Development Authority	0.3
Total Department of Agriculture	<u>14.0</u>
Department of Natural Resources	
Geographic Information System Development	0.1
Volunteer Water Quality Initiatives	0.1
Water Quality Monitoring Stations	3.0
Water Quality Protection	0.5
Air Quality Monitoring Equipment	0.5
Lake Dredging	1.0
Marine Fuel Tax Capital Projects	2.3
Park Operations	2.0
REAP Formula Allocation	11.0
Total Department of Natural Resources	<u>20.5</u>
Department of Economic Development	
Brownfield Redevelopment Program	0.5
Total Expenditures	<u><u>\$ 35.0</u></u>

REAP = Resource Enhancement and Protection Fund

GOVERNMENT FINANCE AND TAXATION

EXPENDITURE LIMITATION



In the 1980s and early 1990s, Iowa experienced serious financial problems including tax revenues below expectations; expenditures above budget; and a lack of reserves. The Legislature established spending limits and reformed the budget process restoring fiscal integrity, improving cash flow, and creating balances in reserve funds.

The Governor and the General Assembly have statutory responsibility to balance the budget. In 1992, several statutory reforms were enacted to provide long-term solutions to the State's budget problems. These included the "Expenditure Limitation" laws.

- Spending is limited to 99.0% of adjusted revenues, 95.0% of any new revenue implemented in a fiscal year, and any carry-over from the previous year. In HF 2039 (98.0% General Fund Expenditure Limitation Act), the Legislature reduced the expenditure limitation rate from 99.0% to 98.0%. The Governor item-vetoed this change stating that the State currently maintains healthy reserve accounts and that an additional one percent limitation would compromise the State's ability to protect Iowa's priorities and fund essential services.
- The Governor and the Legislature are required to use the revenue estimates agreed to by the December Revenue Estimating Conference or a later estimate during the legislative session, if it is lower, as a basis to determine the General Fund Budget for the following fiscal year. If the General Assembly holds an Extraordinary Session prior to the beginning of the fiscal year to which the lower estimate applies, the Governor and Legislature are required to use the lower estimate.
- Three reserve accounts or funds have been created: the Cash Reserve Fund; the GAAP Deficit Reduction Account; and the Economic Emergency Fund (Rainy Day Fund).
- Expenditures from these reserve funds are limited by statute.

IOWA'S RESERVE FUNDS (RAINY DAY FUNDS)

Cash Reserve Fund

- The year-end General Fund Surplus (ending balance) is appropriated to the Cash Reserve Fund. Beginning in FY 2006, an amount equal to 1.0% of the adjusted revenue estimate is appropriated from the year-end General Fund Surplus (ending balance) to the Senior Living Trust Fund before funds would be transferred to the Cash Reserve Fund. If the surplus is less than 2.0% of the adjusted revenue estimate, then the amount appropriated will be equal to one-half of the surplus. The appropriation to the Senior Living Trust Fund will continue each year until a total of \$118.0 million has been appropriated.
- The cash reserve goal is 7.5% of the General Fund revenues (statute amended from 5.0% during the 2002 Session, but this language was notwithstanding for FY 2005 so the FY 2005 goal is 6.5%).
- Moneys in the Cash Reserve Fund may be used for cash flow purposes but shall be returned by the end of the fiscal year.
- Expenditures from the Cash Reserve Fund are limited to nonrecurring emergency expenditures.
- House File 2039 (98.0% Expenditure Limitation Act) transferred \$45.8 million from the Cash Reserve Fund to the General Fund for FY 2003. The transfer was necessary to offset the FY 2003 General Fund deficit that resulted from lower than anticipated accrued revenues, under-estimated FY 2003 standing appropriations, and lower than projected revenues.
- Senate File 2298, the Omnibus Appropriations Bill, notwithstanding conflicting provisions of Section 8.56, Code of Iowa, and appropriated \$159.6 million for tax credits which had previously been funded by the General Fund.

Generally Accepted Accounting Principles (GAAP) Deficit Reduction Fund

- Unexpended money from the General Fund, after the Cash Reserve Fund target is made, is also deposited to the GAAP Fund.
- Funds are appropriated for the purpose of eliminating the State's GAAP deficit. The GAAP deficit was eliminated during FY 1995.

**IOWA'S RESERVE FUNDS
(RAINY DAY FUNDS) (Cont'd.)**

The Economic Emergency Fund

- Established in 1984 and modified in recent years.
- The maximum balance of the Fund is 2.5% of the adjusted General Fund revenue estimate (statute amended from 5.0% during the 2002 Session, but this language was notwithstanding for FY 2005 so the FY 2005 is 3.5%).
- Once all GAAP obligations are retired, remaining funds are credited to the Economic Emergency Fund.
- Moneys in the Economic Emergency Fund may be used for cash flow purposes but shall be returned by the end of the fiscal year.
- Spending from the Fund is limited to emergency expenditures.
- Allows for an appropriation from the Economic Emergency Fund to reduce a negative ending balance in the State General Fund. The appropriation is limited to \$50.0 million and is contingent upon certain circumstances. (In FY 2001, \$66.1 million was transferred from the Economic Emergency Fund to the General Fund to offset a General Fund deficit.) Legislation passed during the November 2001 Special Session limited such transfers to \$50.0 million.

**Reserve Fund Appropriations/Transfers
(\$ in millions)**

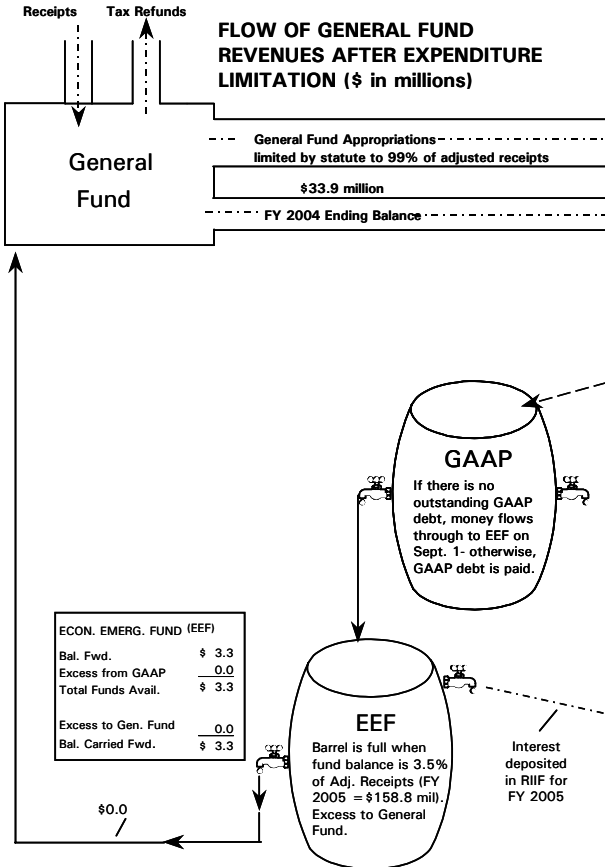
<u>Fund</u>	<u>Actual 2003</u>	<u>Est. 2004</u>	<u>Est. 2005</u>
Cash Reserve	\$ 20.6	\$ 63.3*	\$ 159.6**
GAAP	0.0	0.0	0.0
Economic Emerg.	25.0	0.0	0.0

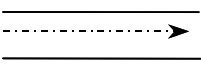
**Reserve Fund Balances
(\$ in millions)**

<u>Fund</u>	<u>Actual 2003</u>	<u>Est. 2004</u>	<u>Est. 2005</u>
Cash Reserve	\$ 205.5	\$ 159.7	\$ 34.0
GAAP	0.0	0.0	0.0
Economic Emerg.	3.3	3.3	3.3

* \$17.5 million was transferred to the Environment First Fund in HF 2538. The Cash Reserve Fund is to be reimbursed \$17.5 million from the Rebuild Iowa Infrastructure Fund if the Gambling Bill (HF 2302) is enacted.

** SF 2298, the Omnibus Appropriation Bill, notwithstanding conflicting provisions of statute and appropriated \$159.6 million from the Cash Reserve Fund for tax credits previously funded from the General Fund.

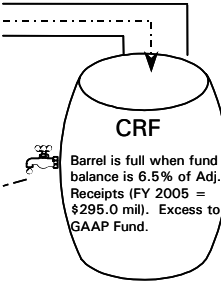




FY 2005

Gen. Fund Appropriations = \$4.464 billion

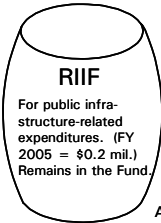
Est. Ending Balance = \$113.2 million



CRF
Barrel is full when fund balance is 6.5% of Adj. Receipts (FY 2005 = \$295.0 mil). Excess to GAAP Fund.

CASH RESERVE FUND (CRF)	
Bal. Fwd.	\$ 159.7
FY 2004 End Bal.	<u>33.9</u>
Total Funds Avail.	193.6
Approp.	<u>-159.6</u>
Excess to GAAP	<u>0.0</u>
Bal. Carried Fwd.	\$ 34.0

Interest deposited in RIIF for FY 2005

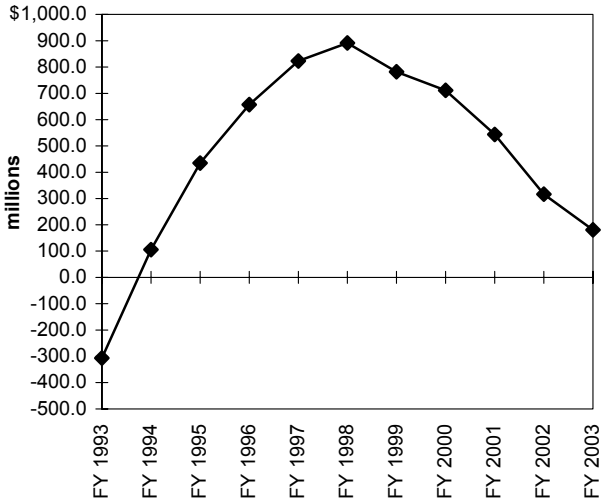


RIIF
For public infrastructure-related expenditures. (FY 2005 = \$0.2 mil.) Remains in the Fund.

REBUILD IOWA INFRASTRUCTURE FUND (RIIF)	
Bal. Fwd.	\$ 2.3
Interest	1.0
Marine Fuel Tax	2.3
Gaming Revenue	93.4
Endowment Transfer	<u>11.0</u>
Total Fund Avail.	110.0
Appropriations	<u>-109.8</u>
Balance Carried Forward	\$ 0.2

Appropriations

**GENERAL FUND BALANCE
UNRESERVED - GAAP BASIS
FY 1993 - FY 2003**



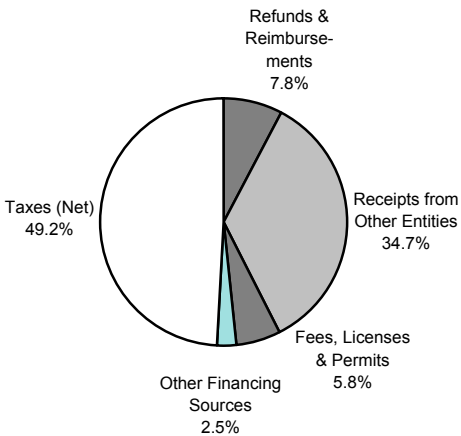
GAAP = Generally Accepted Accounting Principles

- Changes in the budgetary/legal basis fund balance will have a direct impact on the GAAP basis fund balance.
- In FY 1992, the State initiated a plan to eliminate the GAAP deficit by FY 1995. Budget reform initiatives, a solid Iowa economy, implementation of Governmental Accounting Standards Board Statement No. 22, (*Accounting For Taxpayer-Assessed Tax Revenues in Governmental Funds*), and a 25.0% increase in the State sales, services, and use tax, were the primary reasons for the early elimination of the GAAP deficit.

STATE FUNDING SOURCES

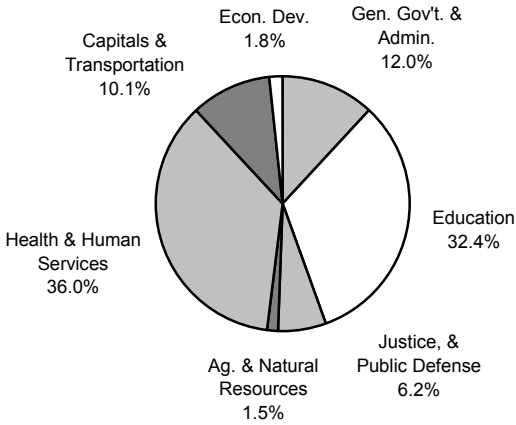
Most State operations are accounted for through governmental fund types (as specified in the Iowa Comprehensive Annual Financial Report): General, Tobacco, and Non-Major. Governmental revenues and other financing sources totaled \$10.0 billion for FY 2003. Net tax receipts decreased \$4.8 million (- 0.1%) compared to FY 2002. Receipts from other entities increased \$204.3 million (6.3%) compared to FY 2002.

FY 2003 State Revenue Sources



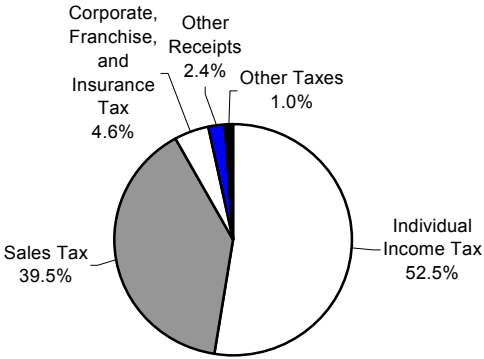
**STATE EXPENDITURES
GOVERNMENTAL FUNDS**

FY 2003 State Governmental Expenditures



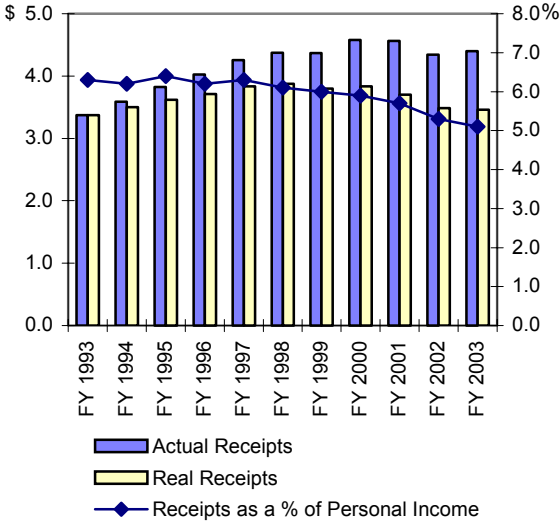
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- Includes General Fund and all Other Governmental Funds. (Comprehensive Annual Financial Report)
 - Governmental expenditures totaled \$10.2 billion for FY 2003, an increase of \$63.9 million (0.6%) compared to FY 2002.
 - Expenditures for FY 2003 exceeded revenues by \$269.9 million. Net transfers lowered the deficit to \$155.4 million for the year.

**SOURCES OF GENERAL FUND GROWTH
FY 1993 - FY 2003**



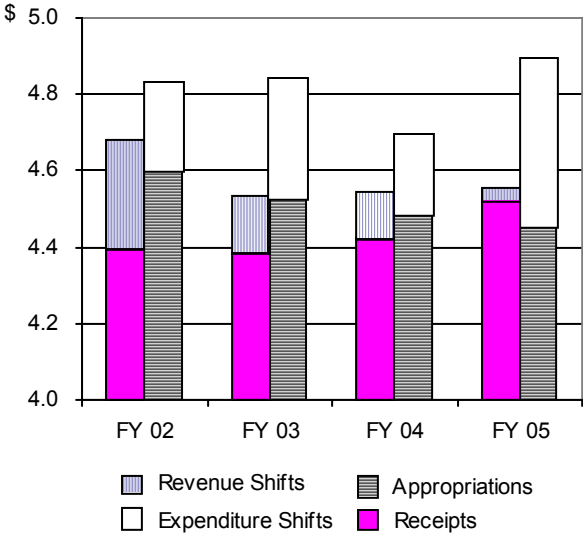
- The chart above does not include transfers to the General Fund from other funds, and percentages have not been adjusted for refunds.
- Total receipts net of refunds and excluding transfers increased \$1,028.9 million from FY 1993 to FY 2003. This represents an average annual increase of 2.7%.
- Since FY 1994, growth in personal income tax accounted for 52.5% of the total increase in General Fund receipts. Sales and use tax was second, and accounted for 39.5% of the total increase. Taxes paid by businesses (corporate income, franchise tax, and insurance tax) account for 4.5% of the increase. The percentages in this paragraph have not been adjusted for refunds.

GENERAL FUND RECEIPTS HISTORY
FY 1993 - FY 2003
(\$ in billions)



- Actual General Fund Receipts are net of refunds and are not adjusted for accrued revenue.
- Real Receipts are actual net General Fund Receipts adjusted for inflation, using the Consumer Price Index - all urban consumers (CPI-U).
- Receipts as a Percentage of Personal Income are actual net receipts divided by Personal Income. This is a measure of the change in the magnitude of the General Fund relative to the Iowa economy.
- From FY 1993 through FY 2003, Iowa General Fund net receipts grew \$1.028 billion (30.5%). During that same period, Iowa's total State personal income grew \$33.5 billion (62.7%).
- In FY 1993, Iowa General Fund net receipts equaled 6.3% of total State personal income. In FY 2003, net General Fund receipts equaled 5.1% of personal income.
- Adjusted for inflation, the General Fund net receipts growth was \$87.0 million from FY 1993 to FY 2003.

**GENERAL FUND RECEIPTS AND EXPENDITURES
(\$ in billions)**



- The significant expenditure shifts for FY 2005 include \$159.7 million from the Cash Reserve Fund to fund certain property tax credits; and \$207.1 million from the Senior Living Trust Fund, Healthy Iowans Tobacco Trust, and the Hospital Trust Fund to fund Medicaid.

**GENERAL FUND EXPENDITURES
SHIFTED TO OTHER FUNDING SOURCES
(\$ in millions)**

	Est. FY 2004	Est. FY 2005
Medical Assistance (Medicaid)	\$ 196.5	\$ 207.0
Property Tax Credits	0.0	159.6
ICN and Prison Debt Service	18.4	18.5
DPH - Substance Abuse	11.8	11.8
Tuition Replacement	10.6	10.4
Elderly Services	7.5	8.2
Soil Conservation Cost Share	5.5	5.5
DHS Programs	4.4	4.7
DNR Park Operations	2.0	2.0
Assisted Living/Adult Day Care	0.8	0.8
DPS - Capitol Security	0.8	0.8
DOT - Aviation Programs	0.5	0.5
DOC - Value-Based Treatment	0.0	0.4
Total	\$ 258.8	\$ 430.2

**REVENUE TRANSFERS TO THE GENERAL FUND
(\$ in millions)**

	Est. FY 2004	Est. FY 2005
Endowment for Healthy Iowans	\$ 20.0	\$ 0.0
Rebuild Iowa Infrastructure Fund	10.0	0.0
Reserve Fund Interest	7.6	0.0
Demutualization Unclaimed Property	26.7	0.0
Prison Infrastructure Fund	9.0	9.0
AEA Balance Transfer	10.0	0.0
Abandoned Property (Unclaimed Sec.)	3.7	0.0
Total	\$ 87.0	\$ 9.0

**MAJOR STATE AND LOCAL
TAX SOURCES**

State Taxes	2004 Rate	Description
Individual Income Tax	0.36% to 8.98%	<ul style="list-style-type: none"> • Tax is paid on personal net income earned in Iowa. For tax year 2003, the filing threshold for a couple is \$13,500. The top rate applies to couple's taxable income in excess of \$54,495.
Sales and Use Tax	5.00%	<ul style="list-style-type: none"> • Tax is paid on the final sale of most goods and enumerated services. Food, prescription drugs, and professional services are the major exceptions.
Motor Vehicle Fuel Tax		<ul style="list-style-type: none"> • Tax is paid on purchases of various gas and fuel sources. Receipts are deposited in the Road Use Tax Fund.
Gasoline	\$0.205 per gallon	
Ethanol	\$0.190 per gallon	
Diesel	\$0.225 per gallon	
Liquid Propane	\$0.200 per gallon	
Aviation Gasoline	\$0.080 per gallon	
Aviation Jet Fuel	\$0.030 per gallon	
Compressed Nat. Gas	\$0.16/100 cubic feet	
Corporate Income Tax	6.00% to 12.00%	<ul style="list-style-type: none"> • Tax is paid on net income of corporations doing business within Iowa. Top rate applies to taxable income over \$250,000.
Insurance Premium Tax	1.50% to 2.00%	<ul style="list-style-type: none"> • Tax is imposed on adjusted gross amount of premiums (excluding annuities) of every insurance company except fraternal beneficiary associations.
Cigarette Tax	\$0.36 per package	<ul style="list-style-type: none"> • Tax is imposed on the sale of cigarettes.
Tobacco Tax	22.00%	<ul style="list-style-type: none"> • Tax is imposed on the wholesale price of tobacco, excluding tobacco subject to the cigarette tax.
Franchise Tax	5.00%	<ul style="list-style-type: none"> • Tax is imposed on the net income of most types of banks and financial institutions. Credit unions are taxed differently.

**MAJOR STATE AND LOCAL
TAX SOURCES (Cont'd.)**

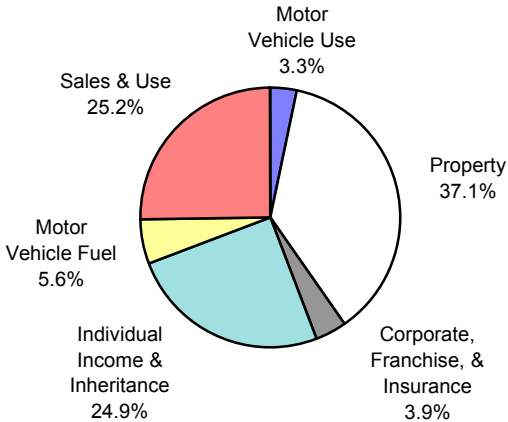
State Taxes	2004 Rate	Description
Inheritance Tax	1.00% to 15.00%	<ul style="list-style-type: none"> • Tax is imposed on beneficiaries other than lineal descendants. Rates and brackets vary according to relationship of beneficiary to the deceased.
Local Taxes	2003 Rate	Description
Property Tax	Varies - the residential average rate is approximately 3.1% of taxable valuation.	<ul style="list-style-type: none"> • Tax is imposed on the taxable value of real property, including land and buildings. For FY 2004, residential property is taxed at 51.4% of its market value.
Local Option Sales Tax	1.00%	<ul style="list-style-type: none"> • Tax is added to general State sales tax but not to use tax. State remits collections to local cities and counties.
Local Option Sales Tax for Schools	1.00%	<ul style="list-style-type: none"> • Tax is added to general State sales tax but not to use tax. State remits collections to school districts.
Hotel/Motel Tax	Varies - it may not exceed 7.00%.	<ul style="list-style-type: none"> • Tax is imposed on the gross receipts of hotel and motel room rentals. Disbursed to local governments imposing the tax.
Individual Income School District tax	Varies - it may not exceed 20.00% of State income tax liability.	<ul style="list-style-type: none"> • Tax is imposed by school districts on residents' State income tax payments.

GENERAL FUND RECEIPTS
 (\$ in millions)

	Estimated FY 2005 REC	Percent of Total Receipts
Tax Receipts		
Personal Income Tax	\$ 2,623.7	49.5%
Sales Tax	1,503.3	28.4
Use Tax	272.8	5.1
Corporate Income Tax	199.7	3.8
Inheritance Tax	72.0	1.4
Insurance Premium Tax	114.8	2.2
Cigarette Tax	84.1	1.6
Tobacco Tax	8.1	0.2
Beer Tax	14.0	0.3
Franchise Tax	42.2	0.8
Miscellaneous Tax	1.5	0.0
Total Tax Receipts	4,936.2	93.2%
Other Receipts		
Institutional Payments	14.7	0.3%
Liquor Profits	54.0	1.0
Interest	4.4	0.1
Fees	65.0	1.2
Judicial Revenue	57.3	1.1
Miscellaneous	37.8	0.7
Racing and Gaming	60.0	1.1
Transfers	67.2	1.3
Accruals	1.9	0.0
Total Other Receipts	362.3	6.8%
Total Receipts	5,298.5	100.0%
Refunds	- 696.0	- 13.1%
Net Receipts	\$ 4,602.5	86.9%

REC = Revenue Estimating Conference (March 2004)

**DISTRIBUTION OF MAJOR STATE AND LOCAL
TAX SOURCES - ACTUAL FY 2003**
(\$ in millions)



Tax	Rate	Actual FY 2003	Percent of Major Tax Sources
Property	3.08%	\$ 3,066.9	37.1%
Individual Income	0.36% - 8.98%	1,919.2	23.2
Sales & Use	5.00%	1,617.6	19.6
Local Option Sales	1.00% - 2.00%	334.1	4.1
Local Option Inc.	20.0% IA inc. tax	52.7	0.6
Hotel/Motel	up to 7.00%	25.5	0.3
Motor - Fuel	\$0.19 - \$0.23	465.5	5.6
Corporate Income	6.00% - 12.00%	144.0	1.7
Motor - Use	5.00%	264.5	3.3
Insurance	1.50% to 1.75%	142.2	1.8
Tobacco	\$0.36 per pack	94.5	1.1
Beer	\$0.19 per gallon	14.0	0.2
Inheritance	1.00% - 15.00%	83.5	1.0
Franchise	5.00%	34.3	0.4
Total		\$ 8,258.5	100.0%

Note:

Receipts are net of refunds.

STATE GAMBLING

**Wagering Tax Revenue
(\$ in millions)**

<u>Fiscal Year</u>	<u>Pari-Mutuel</u>	<u>Riverboats</u>	<u>Slot Machines</u>	<u>Total</u>
1995	\$ 1.7	\$ 31.7	\$ 13.5	\$ 46.9
1996	1.1	56.4	49.3	106.8
1997	1.1	75.3	48.9	125.3
1998	1.0	84.5	55.2	140.7
1999	0.8	92.9	65.4	159.1
2000	0.6	103.3	75.8	179.7
2001	0.5	106.3	80.8	187.6
2002	0.4	116.5	89.5	206.4
2003	0.4	120.9	57.8	179.1
Est. 2004	0.4	127.9	61.2	189.5
Est. 2005	0.4	126.9	59.4	186.7

**Wagering Tax Allocations
(\$ in millions)**

<u>Fund</u>	<u>Actual FY 2002</u>	<u>Actual FY 2003</u>	<u>Est. FY 2004</u>	<u>Est. FY 2005</u>
General Fund	\$ 60.0	\$ 60.0	\$ 60.0	\$ 60.0
Vision Iowa	15.0	15.0	15.0	15.0
School Infrastructure	5.0	5.0	5.0	5.0
Endowment for Iowa's Health Account	80.0	75.0	70.0	70.0
Rebuild Iowa Infrastructure Fund	50.0	27.6	66.6	47.0
Secure an Advanced Vision for Education				8.2
Total	\$ 210.0	\$ 182.6	\$ 216.6	\$ 205.2

Notes:

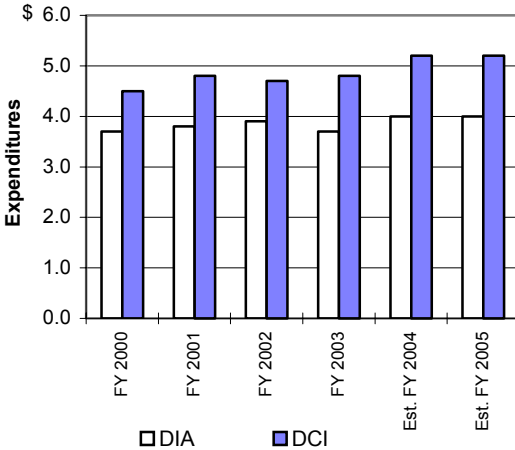
- 1) On April 19, 2004, the General Assembly passed HF 2302 (FY 2004 Gambling Bill) changing the tax rates from 20.0% for all riverboats and racetracks casinos to 22.0% for all riverboats and for Dubuque, 24.0% for Prairie Meadows, and 24.0% for Bluffs Run unless that track decides not to have table games, then its tax would be 22.0%.
- 2) Cities and counties in which the gaming takes place, the Gamblers Treatment Fund, and a new County Endowment Fund each receive 0.5% of the adjusted gross receipts (AGR) for off-the-top allocations.

STATE GAMBLING (Cont'd.)

- 3) In addition to the receipts from slot machines and pari-mutuel wagering, the State will receive \$23.6 million in FY 2004 as a retro-active gaming tax on FY 2003 and FY 2004 AGR of racetrack casinos by June 1, 2004.
- 4) In FY 2005, the racetrack casinos have a one-time opportunity to obtain a table games license at a cost of \$3.0 million for Dubuque and \$10.0 million for the other racetrack casinos. Those licenses must be purchased by June 1, 2005.
- 5) In FY 2005 and FY 2006, all riverboats will pay a Rebuild Iowa Infrastructure Fund (RIIF) assessment of 2.152% of AGR. This will generate \$15.0 million each year.
- 6) Both the license fees for table games and the RIIF assessments can be used as a tax credit of 20.0% per year for five years beginning in FY 2009 and FY 2010, respectively.
- 7) The cost of new boat licenses was established at \$5.0 million for a county with a population under 15,000, \$10.0 million for a county between 15,000 and 100,000, and \$20.0 million for a county over 100,000. However, the Racing and Gaming Commission will determine if and where new licenses are granted.
- 8) The second table provides the allocation of gaming tax receipts for FY 2002 - FY 2005.

STATE GAMBLING (Cont'd.)

**Regulatory Expenditures
(\$ in millions)**



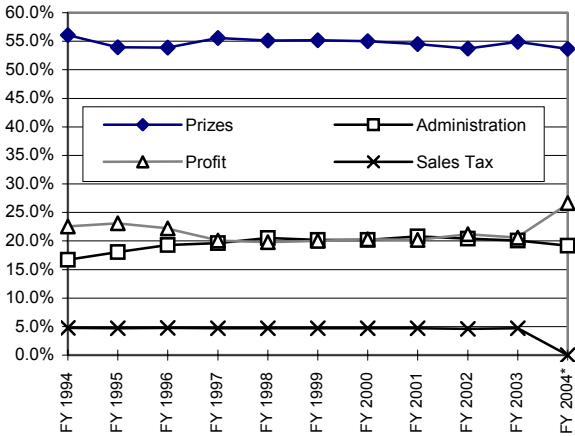
- The Racing and Gaming Commission within the Department of Inspections and Appeals (DIA) processes occupational license applications; prepares administrative rules; reviews incident reports, licensing applications, and background checks; and observes activities to ensure compliance with laws and regulations.
- The Division of Criminal Investigation (DCI) of the Department of Public Safety performs background checks and provides on-site enforcement of regulations.

**Regulatory Expenditures
(\$ in millions)**

	<u>Actual FY 2003</u>	<u>Estimated FY 2004</u>	<u>Estimated FY 2005</u>
Riverboats			
DCI	\$ 4.3	\$ 4.7	\$ 4.7
DIA	\$ 1.6	\$ 1.8	\$ 1.8
Pari-Mutuel			
DCI	\$ 0.4	\$ 0.5	\$ 0.5
DIA	\$ 2.1	\$ 2.2	\$ 2.2

DCI = Division of Criminal Investigation
DIA = Department of Inspections and Appeals

LOTTERY EXPENSES AS A PERCENT OF TOTAL REVENUE



- The sales tax on Lottery sales was eliminated during the 2003 Legislative Session beginning in FY 2004 by HF 534 (Department of Administrative Services Act). The amount that was transferred to the General Fund as sales tax will now be transferred with the other Lottery profits.
- The percentage of Lottery revenue returned to Lottery players in the form of prizes has been approximately 55.0% beginning in FY 1997.
- House File 655 (FY 2004 Administration and Regulation Appropriations Act) required the Lottery to deduct \$500,000 from calculated retained earnings before making Lottery proceeds transfers to the General Fund during FY 2004. This is a continuation from FY 2003 and the impact was a one-time increased transfer of \$500,000 during FY 2003.
- Included in the proceeds transfer for FY 2003 was \$1.2 million for Iowa's share of an unclaimed Powerball ticket sold in Indiana.
- Included in the proceeds transfer for FY 2004 are unclaimed prizes totaling \$498,000 from Powerball and \$40,000 from the Free Play Replay.

*The FY 2004 information is through December 2003.

**RESOURCE ENHANCEMENT AND
PROTECTION (REAP) FUND**

Funding for the Resource Enhancement and Protection (REAP) Fund is appropriated from the Environment First Fund. For FY 1997 through FY 1999, \$9.0 million annually was appropriated to the REAP Fund. In FY 2000 and FY 2001, \$10.5 million was annually appropriated. In FY 2002, \$7.2 million was appropriated.

For FY 2003, the General Assembly appropriated \$10.0 million from the Environment First Fund to the REAP Fund. During the Second Extraordinary Session, the General Assembly passed HF 2627 (FY 2003 Omnibus II Budget Act) that deappropriated \$8.0 million from the REAP Fund and transferred the money to the General Fund.

For FY 2004 and FY 2005, the General Assembly funded the REAP Fund with \$11.0 million annually from the Environment First Fund.

IOWA'S CASH MANAGEMENT PRACTICES

Iowa's cash is managed by the State Treasurer's Office. To earn the most interest possible, cash is invested as soon as it is collected, while enough cash remains on hand to pay State bills. Funds of State agencies which are temporarily available for investment are pooled together and invested in certificates of deposit, U.S. Treasury bills and notes, and other corporate debt instruments as allowed by law.

Investment goals are set by statute:

- Safety - restrictions on types of investments, limits on credit risk, maturities, and use of leverage is prohibited.
- Liquidity - always have the next 60 days of bills funded; purchase liquid securities.
- Yield - core portfolio invested for longer periods; use of laddered maturities.

The current size of the investment pool is approximately \$1.4 billion. The realized cash annual rate of return for FY 2003 was 2.83%.

DEBT ADMINISTRATION

The Constitution of the State of Iowa prohibits the State from exceeding a maximum of \$250,000 in general obligation debt without voter approval. However, statute authorizes the issuance of Tax and Revenue Anticipation Notes (TRANS), provided the total issuance does not exceed anticipated revenue receipts for the fiscal year and the total issuance mature during the fiscal year.

- The State did not issue TRANS during FY 2003.
- To date in FY 2004, the State has issued \$577.9 million in TRANS.

DEBT MANAGEMENT

The State of Iowa reported total outstanding debt of \$7.898 billion on June 30, 2003, for all governmental entities. This represents an increase of \$366.5 million (4.9%) compared to FY 2002.

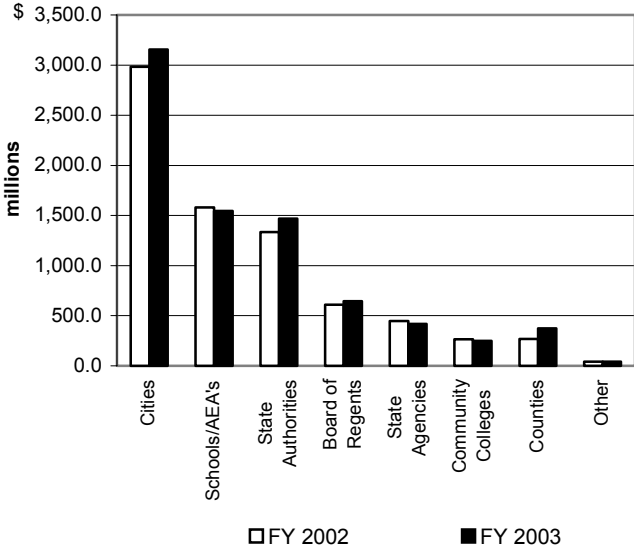
Entities that reported increases in debt during FY 2003 include: cities - \$172.7 million increase (5.8%), counties - \$106.4 million increase (39.8%), State authorities - \$132.6 million (9.9%), and the Board of Regents - \$36.8 million (6.0%).

Debt financing is used for a variety of purposes which include: construction and renovation of public buildings, schools, housing and urban development, utilities, jails and prisons, park and recreational facilities, and local streets and parking lots.

A variety of financing mechanisms are available for use by the State and local units of government for public infrastructure improvements. These include:

- General obligation bonds
- Revenue bonds
- Certificates of participation (lease purchase)
- Special assessments on property
- Tax increment financing
- Special tax allocation and dedication such as hotel and motel taxes

OUTSTANDING DEBT BY ENTITY



Entity	FY 2002	FY 2003
Cities	\$ 2,982,421,272	\$ 3,155,109,112
Schools/AEA's	1,581,970,200	1,545,522,235
State Authorities	1,334,996,925	1,467,632,892
Board of Regents	608,619,253	645,379,558
State Agencies	447,720,000	418,035,000
Community Colleges	265,332,219	249,569,028
Counties	267,249,896	373,674,384
Other	42,820,566	42,715,759
Total	\$ 7,531,130,331	\$ 7,897,637,968

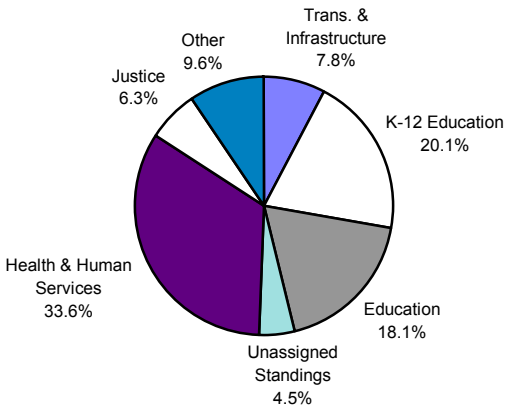
BUDGETS AND APPROPRIATIONS

IOWA'S BUDGET PROCESS

- The Governor and the State Legislature allocate state resources and set revenue collection levels through the budgeting process.
- The process begins in June of each year for the fiscal year which starts 12 months later on July 1.
- State agencies prepare budget requests within the guidelines set by the Governor and submit their requests by October 1.
- The Revenue Estimating Conference meets before December 15 to set revenue estimates which will serve as a basis for the General Fund budget for the following fiscal year.
- The Governor submits annual recommendations to the Legislature in January.
- By statute, the Governor's budget must be balanced and must meet expenditure limitations.
- The Legislature conducts budget hearings during January and February. Recommendations from the eight joint budget subcommittees are passed on to Appropriations Committees and the floor for debate in each chamber.
- The State Constitution allows the Governor line-item veto authority over appropriations bills.



**APPROPRIATED SPENDING
FY 2005
(\$ in millions)**

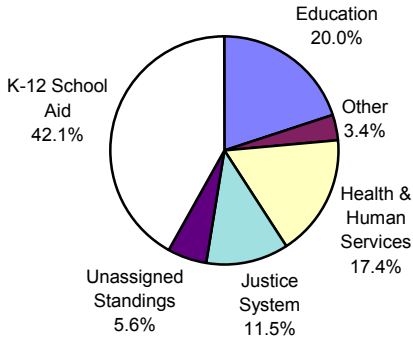


Categories	Est. FY 2005 Appropriations	Percentage
Admin. & Regulation	\$ 193.0	2.1%
Ag. & Natural Resources	112.0	1.2
Economic Development	590.8	6.3
K-12 Education	1,881.2	20.1
Education	1,700.1	18.1
Health & Human Services	3,154.3	33.6
Justice System	591.7	6.3
Trans. & Infrastructure	727.7	7.8
Unassigned Standings	420.1	4.5
Total	\$ 9,370.9	100.0%

Notes:

- 1) This represents appropriations from the General Fund, Federal Funds, and Other Funds.
- 2) "Other" includes Administration and Regulation, Agriculture and Natural Resources, and Economic Development.

**DISTRIBUTION OF ESTIMATED FY 2005
STATE GENERAL FUND APPROPRIATIONS
(\$ in millions)**

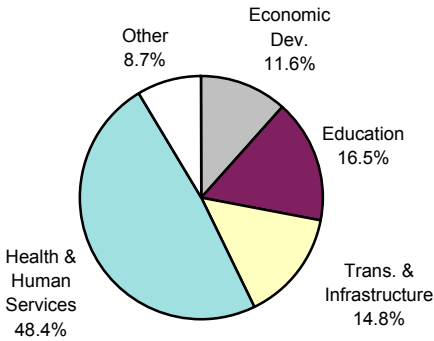


<u>Subcommittee</u>	<u>Est. FY 2005 Appropriations</u>	<u>Percent of Total</u>
Admin. & Regulation	\$ 92.0	2.1%
Ag. & Natural Resources	34.2	0.8
Economic Development	22.2	0.5
Education	891.9	20.0
Health & Human Services	778.7	17.4
Justice System	513.4	11.5
Trans. & Infrastructure	0.1	0.0
Unassigned Standings	250.6	5.6
K-12 School Aid	1,881.2	42.1
Total	\$ 4,464.3	100.0%

Note:

"Other" includes Administration and Regulation, Agriculture and Natural Resources, Economic Development, and Transportation and Infrastructure.

**NON-GENERAL FUND APPROPRIATED FUNDS
ESTIMATED FY 2005
(\$ in millions)**

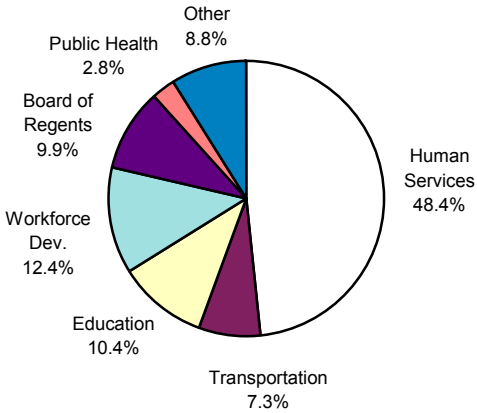


Subcommittee	Estimated FY 2005 Appropriations	Percent of Total
Admin. & Regulation	\$ 101.0	2.1%
Ag. & Natural Resources	77.8	1.6
Economic Development	568.6	11.6
Education	808.2	16.5
Health & Human Services	2,375.7	48.4
Justice System	78.3	1.6
Trans. & Infrastructure	727.6	14.8
Unassigned Standings	169.4	3.4
Total	\$ 4,906.6	100.0%

Notes:

- 1) Sources of non-General Fund appropriations include, but are not limited to: federal funds, the Road Use Tax Fund, the Primary Road Fund, the Tobacco Settlement Fund, and the Rebuild Iowa Infrastructure Fund.
- 2) "Other" includes Administration and Regulation, Agriculture and Natural Resources, Justice System, and Unassigned Standings.

**FEDERAL FUNDS
ESTIMATED FY 2005
(\$ in millions)**

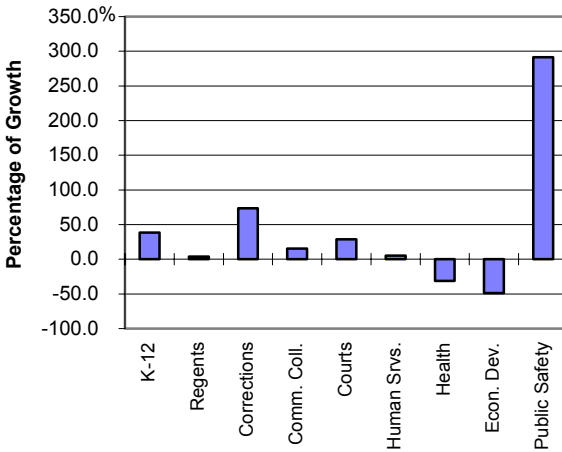


Department	Est. FY 2004	Percent of Total
Human Services	\$ 1,825.5	48.4%
Education	394.5	10.4
Board of Regents	374.3	9.9
Transportation	275.7	7.3
Workforce Development	470.1	12.4
Public Health	104.1	2.8
Other	332.2	8.8
Total	\$ 3,776.4	100.0%

Note:

"Other" includes all other State agencies reporting federal funds.

**GROWTH OF SELECTED
GENERAL FUND BUDGETS
FY 1996 - FY 2005**



**CHANGE IN SELECTED BUDGETS
FY 1996 - FY 2005
(\$ in millions)**

Budget	Difference	Percent Difference
K-12	\$ 556.1	38.3%
Regents	22.1	3.8
Corrections	114.9	73.6
Community Colleges	18.9	15.6
Courts	26.8	28.8
Human Services	42.3	5.4
Public Health	- 10.9	- 31.3
Economic Development	- 12.8	- 48.9
Public Safety	49.9	291.3
Selected Budgets Total	\$ 807.3	133.3%
Total Other Changes	- 201.6	- 33.3%
Total Increase	\$ 605.7	100.0%

INFRASTRUCTURE FUNDING

Appropriations from infrastructure revenue sources include funding for environmental programs, technology projects, debt service on certain bonds, tobacco settlement attorney litigation payments, as well as capital and infrastructure projects. These appropriations have included three main sources of funds: The Rebuild Iowa Infrastructure Fund (RIIF), Restricted Capital Fund of the Tobacco Settlement Trust Fund, and the Environment First Fund.

The RIIF is estimated to have revenues totaling \$110.0 million for FY 2005, as shown below.

**Rebuild Iowa Infrastructure Fund Receipts
(\$ in millions)**

Beginning Balance	\$ 2.3
State Wagering Tax	55.4
Table Game License Fees	23.0
Riverboat Assessments	15.0
Endowment for Iowa's Health Account	11.0
Miscellaneous	3.3
Total	<u>\$ 110.0</u>

The revenue in the Restricted Capital Fund is from \$540.0 million of tax-exempt bond proceeds that were issued through the tobacco securitization process, and the interest earned on the proceeds. Appropriations from the Fund are required to be used for depreciable assets, and in a manner that does not adversely affect the tax-exempt status of the bonds.

Appropriations for the FY 2005 infrastructure and related projects total \$177.8 million. This includes \$68.0 million from the Restricted Capital Fund and a total of \$109.8 million from the RIIF. Included in the RIIF appropriations is \$35.0 million for the Environment First Fund.

INFRASTRUCTURE FUNDING APPROPRIATIONS
(\$ in millions)

	<u>FY 2005</u>		
	<u>RIIF</u>	<u>RCF</u>	<u>Total</u>
Environ. First Fund	\$ 35.0	\$ 0.0	\$ 35.0
Admin. Services	17.6	9.5	27.1
Blind	0.1	0.0	0.1
Board of Regents	1.9	25.8	27.7
Corrections	3.3	11.7	15.0
Cultural Affairs	0.6	0.0	0.6
Economic Dev.	6.2	0.0	6.2
Education	19.8	0.0	19.8
Human Services	0.2	0.0	0.2
Natural Resources	0.5	2.5	3.0
Public Defense	5.3	0.0	5.3
Public Safety	2.8	0.0	2.8
State Fair Authority	0.2	0.0	0.2
Transportation	2.2	0.0	2.2
Treasurer of State	13.1	18.5	31.6
Veterans Affairs	1.0	0.0	1.0
Total	<u><u>\$ 109.8</u></u>	<u><u>\$ 68.0</u></u>	<u><u>\$ 177.8</u></u>

RCF = Restricted Capital Fund (Tobacco)

RIIF = Rebuild Iowa Infrastructure Fund

SALARY ADJUSTMENT

Salary adjustment is an increase allocated to each department's personnel services budget to provide funding for such things as Cost of Living Adjustments (COLA), changes in the cost of health insurance premiums, salary annualization, and merit step increases that will take place sometime during the upcoming fiscal year.

For FY 2005, no funds were appropriated from the General Fund to the Salary Adjustment Fund administered by the Department of Management.

Salary annualization is the amount needed to pay for merit step increases that were not included in the prior year's salary adjustment. For example, if an employee received a merit step increase in March 2004, an amount sufficient to pay the merit step increase for three months during FY 2004 would have been included in the FY 2004 salary adjustment. Salary annualization would be included in the FY 2005 salary adjustment for the employee's merit step from July 2004 to March 2005 (nine months).

If all employees had review dates at the beginning of the fiscal year, there would be no salary annualization due to merit step increases. However, if this was the case, the cost of salary adjustment would increase proportionately.

STATE AND LOCAL GOVERNMENT

**ANNUAL COST PER PARTICIPANT
FOR MAJOR STATE PROGRAMS
ESTIMATED FY 2004**

	Number of Participants	Average Annual Cost Per Participant	
		State Aid	Total Gov't.
Corrections			
Prison Inmates ^a	8,500	\$ 22,816	\$ 22,816
Education - Students			
K-12 ^b	487,021	\$ 3,639	\$ 5,846
ISD	101	80,195	80,195
IBSSS	31	146,177	146,177
Community Colleges ^c	73,283	1,853	2,121
Regents - Higher Education	50,280	9,866	9,866
Private Colleges ^d	15,912	2,844	2,844
Human Services			
Foster Care ^e	2,986	\$ 15,842	\$ 32,280
Mental Health Institutions ^f	249	175,449	190,118
State Resource Centers ^f	691	15,397	135,233
Sexual Predator Commitment	38	73,723	73,723
Family Investment Program ^g	19,988	1,811	4,387
Medical Assistance	269,768	1,980	5,978

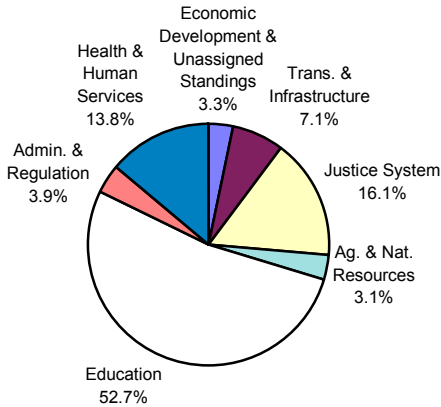
Notes:

- a) Average prison population.
b) Total government includes all property tax generated by school aid formula but not individual district levies.
c) Total government includes property tax for operations only. Infrastructure, management, and other levies are not included.
d) Number of participants includes only students who receive tuition grants.
e) Group Foster Care and Family Foster Care.
f) Represents capacity rather than participants.
g) Represents cost per case.

ISD = Iowa School for the Deaf

IBSSS = Iowa Braille and Sight Saving School

FULL-TIME EQUIVALENT POSITIONS ESTIMATED FY 2005



Subcommittee	Estimated FY 2005	Percent of Total
Admin. & Regulation	1,969.2	3.9%
Ag. & Natural Resources	1,539.2	3.1
Economic Development	1,265.4	2.5
Education	26,280.8	52.7
Health and Human Services	6,872.1	13.8
Justice System	8,037.2	16.1
Trans. & Infrastructure	3,517.0	7.1
Unassigned Standings	401.3	0.8
Total	49,882.2	100.0%

Note:

Regent's totals reflect head count, not full-time equivalent position.

**COLLECTIVE BARGAINING SETTLEMENTS
FY 2004 - FY 2005**

The values listed in the table below are the cost-of-living adjustments specified by state employee collective bargaining contracts.

	<u>FY 2004</u>	<u>FY 2005</u>
AFSCME	2.00%	2.00%*
JUDICIAL AFSCME	2.00%	2.00%
IUP	2.00%	2.00%**
SPOC	2.00%	2.00%
UFI	3.50%	3.75%
PPME	2.00%	2.00%
COGS	2.90%	4.80%
SEIU	6.50%	6.40%

*Effective 1/1/05

**Effective 9/1/04

Note:

Contracts allow for merit step increases for employees granted merit steps for both FY 2004 and FY 2005.

AFSCME = American Federation of State, County, and Municipal Employees

IUP = Iowa United Professionals

SPOC = State Police Officers Council

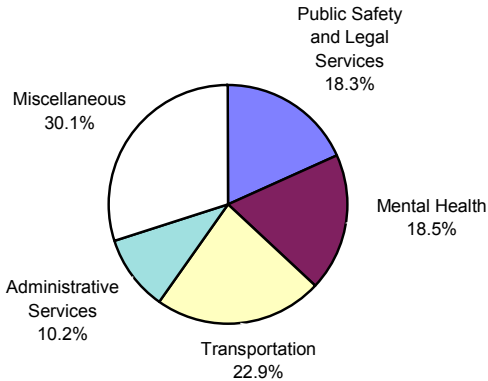
UFI = United Faculty of Iowa

PPME = Public Professional and Maintenance Employees

COGS = Campaign to Organize Graduate Students

SEIU = Service Employees International Union/Tertiary Health Care Unit, University of Iowa

**BUDGETED COUNTY
EXPENDITURES
FY 2004**



Budgeted County Expenditures	Estimated FY 2004
Public Safety and Legal Services	\$ 302,194,663
Mental Health	305,228,956
Transportation	377,157,228
Administrative Services	169,035,634
Miscellaneous	
State & Local Gov't. Services	54,381,726
Physical Health and Social Services	165,236,476
County Environment	99,758,047
Debt Service	38,952,085
Capital Projects	132,776,671
Other	4,590,553
Total	\$ 1,649,312,039

Note:

The FY 2004 ending fund balances for all counties is \$368.0 million.

**GENERAL FUND FINANCIAL ASSISTANCE
TO LOCAL GOVERNMENTS
(\$ in millions)**

	Actual FY 2003	Est. FY 2004	Est. FY 2005
District School Aid	\$ 1,886.0	\$ 1,933.3	\$ 2,044.8
Community Empowerment	13.7	13.4	13.7
Community College Aid	138.6	135.8	139.8
Single County Contracts	9.5	9.5	9.5
Substance Abuse Grants	0.8	0.8	0.8
Elderly Services	3.4	2.1	2.1
Child & Family Services	101.3	97.1	97.0
Family Investment Program	35.3	36.2	39.0
Community Mental Health/ Mental Retardation Fund	17.8	17.8	17.8
Medical Assistance	418.7	333.5	352.8
Peace Officers Retirement Reimbursement	2.8	2.7	2.7
Public Transit Assistance	8.9	8.3	0.0
Fire Fighter Training	0.5	0.5	0.5
Homestead Tax Credit	105.6	102.9	102.9
Agriculture Land Tax Credit	35.5	34.6	34.6
Elderly/Disabled Property Tax Credit	15.8	16.2	19.5
Franchise Tax	8.0	8.6	0.0
Military Tax Credit	2.5	2.6	2.6
Personal Property Tax Replacement	51.1	0.0	0.0
Mental Health	109.2	114.1	118.7
Machinery & Equipment Reimbursement	21.0	11.0	0.0
Livestock Production Credit	1.8	1.8	1.8
Local Government Innovation Fund	0.0	0.1	0.0
Total Assistance	\$ 2,987.8	\$ 2,882.9	\$ 3,000.6
 Total Assistance as a Percent of General Fund Expenditures	 66.0%	 64.4%	 67.2%

Note:

District School Aid includes unassigned standing appropriations for schools plus the appropriations for nonpublic textbooks and the appropriation for Student Achievement/Teacher Quality.

THE IOWA COMMUNICATIONS NETWORK



The Iowa Communications Network (ICN) was created by the 1989 General Assembly as a fiber optic “Highway” capable of carrying all forms of communications traffic, including voice, distance education, telemedicine, government information and services, and computer network data. Fiber optics converts voice, video, and data signals into digital light impulses which are transmitted over hair-thin glass fibers.

In FY 2000, the ICN began converting the Network to asynchronous transfer mode (ATM) and MPEG II technology. This conversion increased capacity of the Network and replaced failing optics. At the end of March 2003, the equipment on all ATM rings was installed, and the MPEG II codecs were installed in the western half of the State. With the final appropriation of \$5,000,000 made in FY 2003, the remainder of the codecs were installed in FY 2003, and the project was completed.

For FY 2004, the appropriations included:

- \$0.5 million from the General Fund to the Iowa Telecommunications and Technology Commission (ITTC) for subsidization of operations related to video services. The Fund was able to be reduced by \$1.6 million compared to FY 2002, due to reimbursements from the Universal Federal Service Fund.
- \$13.0 million to the Treasurer of State for debt service from the Restricted Capital Fund (Tobacco).
- \$1.6 million from the General Fund to the Department of Education for Part III support services.
- \$2.7 million from the Rebuild Iowa Infrastructure Fund (RIIF) to the Commission. This is payment for maintenance and lease costs of Part III connections. The original leases are for a seven-year period. Leases will be renegotiated as they expire.

THE IOWA COMMUNICATIONS NETWORK (Cont'd.)

The Code of Iowa authorizes specific users. These include the Iowa National Guard, Iowa Public Television, libraries, State government agencies, community colleges, Regents institutions, private colleges and universities, all local school districts, area education agencies, hospitals and physician clinics, federal agencies, Iowa judicial and corrections systems, and the United States Postal Service.

ICN Classroom Sites as of April 2003:

16	Area Education Agencies
105	Community Colleges
399	K-12 School Districts
6	Other Education
52	Libraries
17	Medical Facilities
21	Private Colleges
25	Regent Institutions
55	National Guard
51	State Agencies
17	Federal Agencies
5	Miscellaneous Sites
<u>769</u>	Total

**IOWA COMMUNICATIONS NETWORK
FY 2002 - FY 2004 FUNDING**

FY 2002	General Fund	Pooled Tech. Account or Tobacco Fund
Part III Support - DOE	\$ 1,929,536	
ICN Rate Subsidization	2,116,871	
Debt Service	9,940,000	
Debt Service - Pooled FY 2001		\$ 1,400,000
Debt Service - Tobacco Fund		1,465,443
Part III Connections -		
Maintenance & Leases - Pooled		2,727,000
Maintenance & Leases - Tobacco		3,500,000
Totals	<u>\$ 13,986,407</u>	<u>\$ 9,092,443</u>

Estimated FY 2003	General Fund	RIIF or Tobacco Fund
Part III Support - DOE	\$ 1,612,500	
ICN Rate Subsidization	1,027,503	
Debt Service - Tobacco Fund		\$ 13,044,784
Part III Connections -		
Maintenance & Leases - RIIF		2,727,004
ATM Conversion - Tobacco		5,000,000
Totals	<u>\$ 2,640,003</u>	<u>\$ 20,771,788</u>

Estimated FY 2004	General Fund	RIIF or Tobacco Fund
Part III Support - DOE	\$ 1,619,656	
ICN Rate Subsidization	500,000	
Debt Service - Tobacco Fund		\$ 13,044,784
Part III Connections -		
Maintenance & Leases - RIIF		2,727,000
ATM Conversion - Tobacco		0
Totals	<u>\$ 2,119,656</u>	<u>\$ 15,771,784</u>

DOE = Department of Education

ICN = Iowa Communications Network

RIIF = Rebuild Iowa Infrastructure Fund

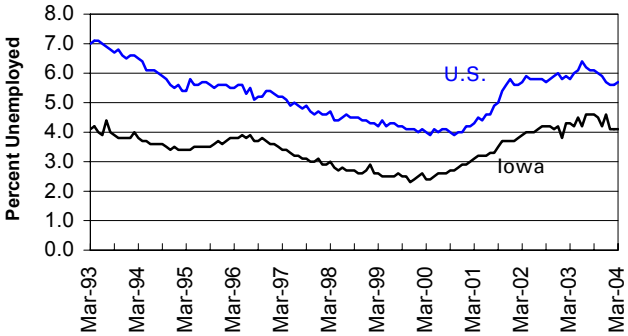
Pooled Tech. = Pooled Technology Account

Tobacco Fund = Restricted Capital Fund (Tobacco)

IOWA ECONOMY

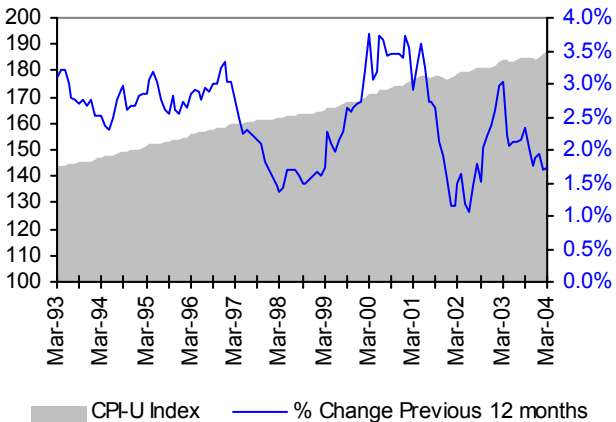
ECONOMIC SUMMARY

Seasonally Adjusted Unemployment Rate



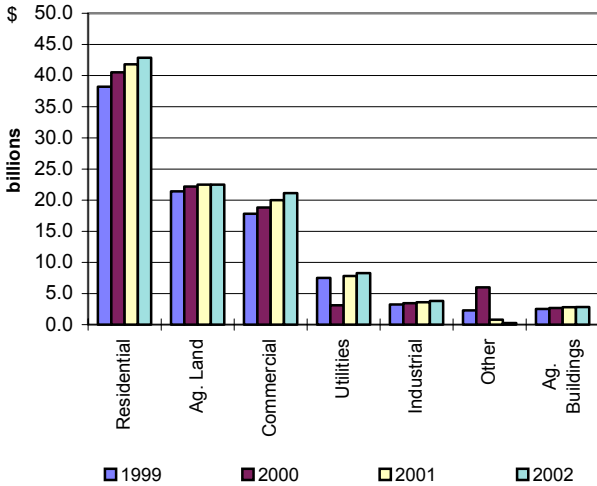
The statewide unemployment rate in March 2004 was 4.1%, which is 0.2% lower than the March 2003 level. Iowa’s March 2004 unemployment rate is 1.6% lower than the March national unemployment rate (5.7%). Total employment in Iowa was 1,555,800 in March 2004, an increase of 1,100 compared to March 2003. Over the same period, the labor force declined by 3,300 persons. During the fall of 2003, Iowa’s unemployment rate reached its highest level since the summer of 1992.

CPI and Annual Percentage Change

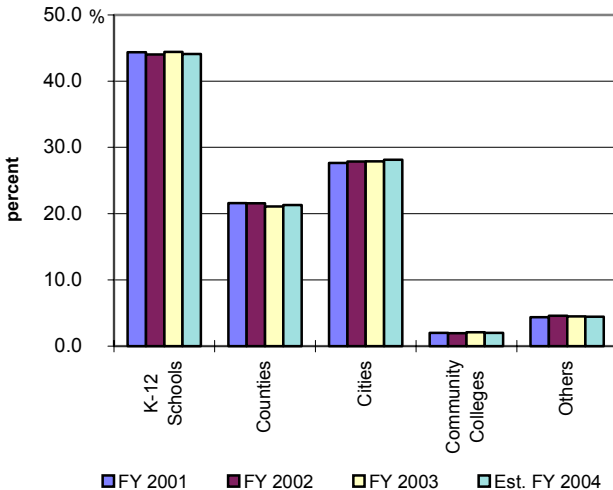


Consumer prices increased by 1.7% for the March 2003 to March 2004 period. Throughout the 12-month period, the rate of inflation decelerated.

DISTRIBUTION OF NET TAXABLE VALUATION BY CLASS OF PROPERTY*



PERCENTAGE DISTRIBUTION OF PROPERTY TAXES BY TAXING AUTHORITY



*Class of property information is based on an assessment year.

Note:

Between FY 1992 and FY 2004, net taxable valuation in the State increased from \$76.5 billion to \$101.6 billion.

EDUCATION

PAYING FOR PUBLIC EDUCATION THE IOWA SCHOOL FOUNDATION FORMULA

The Iowa School Foundation Formula was created between 1970 and 1972, for the school year beginning July 1, 1972. This Formula is a student-driven financing mechanism that works to equalize revenues from State sources and property taxes. The Formula was revised in 1989 to equalize per pupil spending, provide an enrollment cushion (phantom students), increase property tax relief, and provide for increased local discretion. In 1992, further revisions to the Formula included eliminating advanced funding for increasing enrollment, eliminating the enrollment decline cushion (phantom students), and requiring the Governor and General Assembly to establish the allowable growth rate each year, which was previously established by a formula.

In the 1995 Session, the determination of allowable growth was changed again. The General Assembly is required to set allowable growth two years in advance within 30 days of the submission of the Governor's budget.

In FY 2004, the School Foundation Formula provided \$1.817 billion in State aid based on a 2.0% allowable growth rate. During FY 2004, the Governor required a 2.5% across-the-board reduction that reduced the State aid received by school districts and area education agencies by \$45.4 million, leaving a net amount of \$1.772 billion in State aid. In addition to State aid, the school districts received \$1.029 billion in foundation property taxes. The budget was generated based on a student enrollment of 487,021 and a special education weighting total of 68,555.

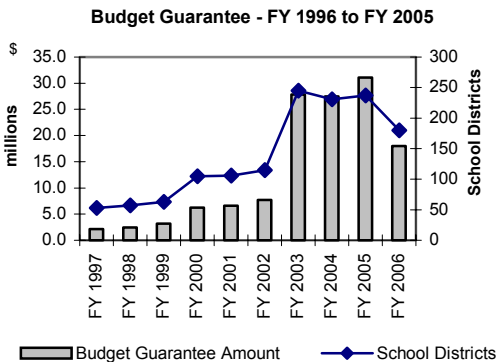
The School Foundation Formula is based upon basic enrollment, a school district's regular program cost per pupil, State aid determined by a foundation level, and an amount generated by the uniform property tax levy.

The FY 2005 allowable growth rate was set at 2.0% during the 2003 Legislative Session, yielding a State cost per pupil of \$4,648. The projected cost to the General Fund in FY 2005 is \$1.881 billion, an increase of \$109.0 million compared to FY 2004. The FY 2006 allowable growth rate was set at 4.0% for a State cost per pupil of \$4,931. This is a General Fund increase of \$104.6 million compared to FY 2005.

PAYING FOR PUBLIC EDUCATION THE IOWA SCHOOL FOUNDATION FORMULA (Cont'd.)

The 2001 General Assembly reduced the amount of funding that area education agencies (AEAs) were estimated to receive by \$7.5 million in FY 2002. This reduction has since been made permanent. In the 2003 Legislative Session, the AEAs' funding was reduced by an additional \$10.0 million, and in FY 2004, the across-the-board reduction decreased the appropriation by another \$1.8 million. In FY 2005, the AEA budgets were reduced by \$19.3 million, the total of the three FY 2004 reductions. No additional reductions were made to the FY 2006 funding, so the reductions revert to the \$7.5 million specified in the Code of Iowa. The AEAs were allowed to shift funding for the Special Education Services Program from the AEAs Media Services Program and the AEAs Educational Services Program in order to maintain the level of services required for the Special Education Support Services Program.

Schools with declining enrollments receive the budget guarantee so their budgets can remain at the previous year's funding level. Between FY 1996 and FY 1999, fewer than 65 school districts received the budget guarantee. In FY 2000 through FY 2002, over 100 school districts received the budget guarantee, and between FY 2003 and FY 2005, over 200 school districts annually received the budget guarantee. In FY 2006, with the 4.0% allowable growth rate, 180 school districts will receive the budget guarantee. The budget guarantee costs have grown from \$2.7 million in FY 1996 to \$31.1 million in FY 2005 and decreased to \$18.0 million in FY 2006. The following chart depicts those changes.



**PAYING FOR PUBLIC EDUCATION
THE IOWA SCHOOL FOUNDATION FORMULA
(Cont'd.)**

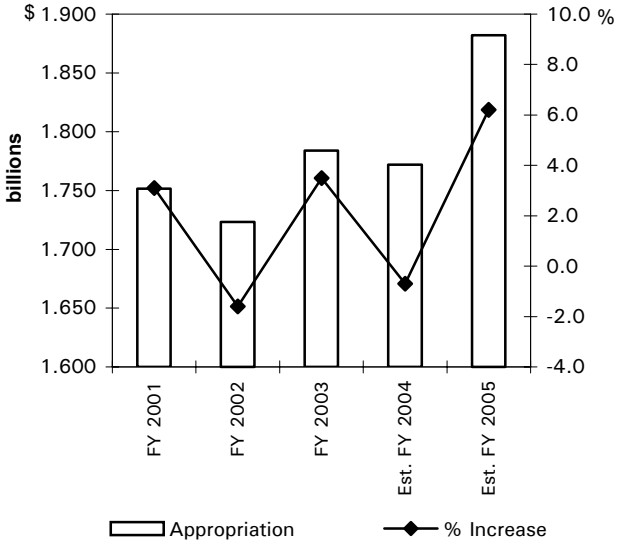
The budget guarantee was changed during the 2001 Legislative Session so that beginning in FY 2005 it is no longer based on providing 100.0% of the total regular program district cost. In FY 2005 and future years, school districts with declining enrollment will be eligible for one of two options. They may receive:

- 101.1% budget adjustment that is based on the previous year's regular program district costs without any previous budget guarantee adjustment.
- 90.0% budget guarantee that is based on the FY 2004 total regular program district costs. This percentage will be scaled back 10.0% each year until 2014. Only districts that receive this option in FY 2005 will be eligible to receive this budget guarantee in future years.

Other funding sources available to school districts on an optional basis in the general education fund area include drop out prevention programs, School Budget Review Committee authorizations, instructional support levy, cash reserve levy, management levy, and enrichment levy.

Local school districts have a number of optional funding sources available for non-general education fund activities. These levies are used for building construction, building maintenance, equipment purchases, and certain operational expenditures. These include the debt service levy, schoolhouse property tax levy, physical plant and equipment levy, and the educational and recreation levy.

**APPROPRIATIONS
FOR K-12 STATE AID
FY 2001 - FY 2005**



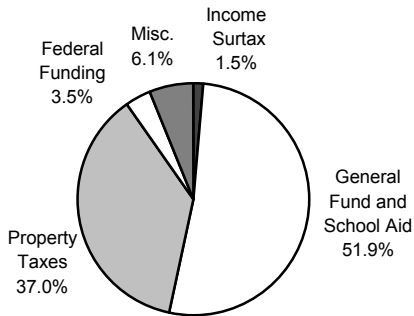
	Appropriations	Change	Percent Change
FY 1996	\$ 1,330,908,172	\$ 64,688,229	5.1%
FY 1997	1,489,170,713	158,262,541	11.9%
FY 1998	1,558,251,824	69,081,111	4.6%
FY 1999	1,611,592,518	53,340,694	3.4%
FY 2000	1,698,459,679	86,867,161	5.4%
FY 2001	1,751,721,662	53,261,983	3.1%
FY 2002	1,723,456,441	- 28,265,221	- 1.6%
FY 2003	1,783,962,243	60,505,802	3.5%
Est. FY 2004	1,772,201,824	- 11,760,419	- 0.7%
Est. FY 2005	1,881,688,628	109,486,804	6.2%

Percentage increase FY 2000 - FY 2005 10.8%
 Five-year average annual increase 2.2%

Notes:

- 1) FY 2002 and FY 2003 include \$45.0 million appropriated from other funds.
- 2) FY 2004 includes a \$45.4 million across-the-board reduction.

**K-12 SCHOOL DISTRICTS' REVENUE
Estimated FY 2004
(\$ in millions)**



	Amount	Percent of Total
General Fund and School Aid	\$ 1,939.5	51.9%
Property Taxes	1,384.0	37.0
Federal Funding	132.0	3.5
Income Surtax	54.4	1.5
Miscellaneous	228.9	6.1
Total	\$ 3,738.8	100.0%

Note:

Approximately 75.5% of the revenue for K-12 school districts is derived through the basic funding formula.

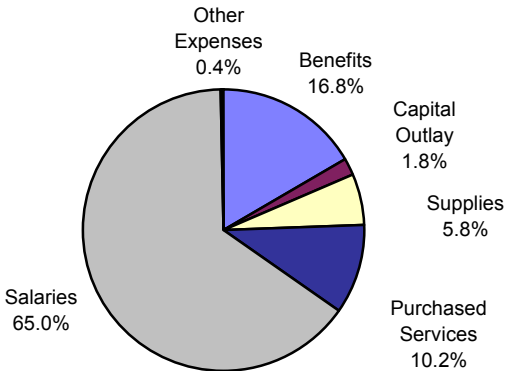
K-12 SOURCE OF FUNDS
ESTIMATED FY 2004 BUDGET DETAIL
(\$ in millions)

Source of Funds	Amount	Percent	# of Districts
Combined District Cost			
Regular Program	\$ 2,275.9	60.9%	370
Budget Guarantee	27.4	0.7	231
Supplementary Weights	27.2	0.7	370
Special Education	320.5	8.6	370
AEA Media	20.0	0.5	370
AEA Education Services	22.1	0.6	370
AEA Special Education	114.5	3.1	370
AEA Reduction	- 17.5	- 0.5	370
Dropout SBRC	57.0	1.5	259
General Fund Reduction	- 45.4	- 1.2	370
Total Combined District Cost	\$ 2,801.7	74.9%	
Other Taxes and Misc. Income			
Instructional Support	\$ 134.9	3.6%	318
Educational Improvement	0.8	0.0	5
Enrollment Audit Adjustment	- 0.1	0.0	57
Physical Plant and Equipment	108.4	2.9	370
School House Levy	0.1	0.0	1
Management Levy	75.5	2.0	364
Playground and Library Levy	1.7	0.2	21
Bonds/Debt Service	102.4	2.7	223
Other State Appropriations	156.4	4.2	370
Federal Funding - Estimated	132.0	3.5	370
Miscellaneous - Estimated	228.9	6.1	370
General Fund Reduction	- 3.9	- 0.1	370
Total Other Taxes	\$ 937.1	25.1%	
Total Budget	\$ 3,738.8	100.0%	

AEA = Area Education Agency

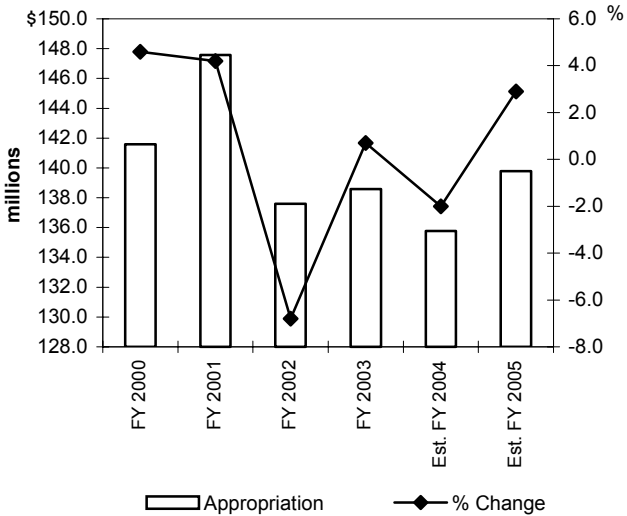
SBRC = School Budget Review Committee

**AVERAGE K-12 EXPENSES FOR
AN IOWA SCHOOL YEAR
2001 - 2002**



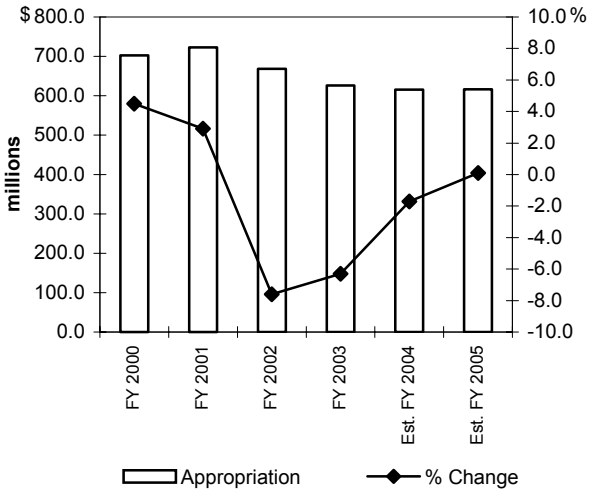
-
- From FY 1986 to FY 2002, expenditures for salaries decreased by 3.1% and expenditures for benefits increased 3.9% as a percentage of total operating fund expenditures.
 - Statewide average administrative expenditures for FY 2002 are 9.7% of total operating fund expenditures. This is a decrease from 10.2% in FY 1986.

**GENERAL FUND APPROPRIATIONS
FOR COMMUNITY COLLEGES
FY 2000 - FY 2005**



	<u>Appropriations</u>	<u>Change</u>	<u>Percent Change</u>
FY 2000	\$ 141,577,403	\$ 6,211,247	4.6%
FY 2001	147,577,403	6,000,000	4.2%
FY 2002	137,585,680	- 9,991,723	- 6.8%
FY 2003	138,585,680	1,000,000	0.7%
Est. FY 2004	135,779,244	- 2,806,436	- 2.0%
Est. FY 2005	139,779,244	4,000,000	2.9%
Percentage change FY 2000 - estimated FY 2005			- 1.3%
Five-year average annual change			- 0.3%

**GENERAL FUND APPROPRIATIONS
FOR REGENTS INSTITUTIONS
FY 2000 - FY 2005**

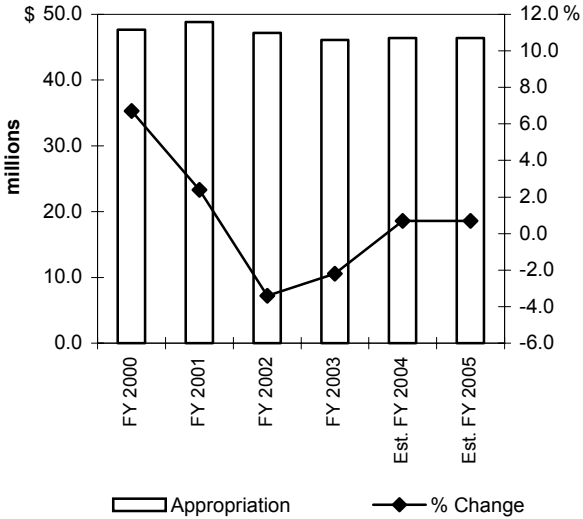


	<u>Appropriations</u>	<u>Change</u>	<u>Percent Change</u>
FY 2000	\$ 702,456,884	\$ 30,508,756	4.5%
FY 2001	722,953,183	20,496,299	2.9%
FY 2002	668,308,294	- 54,644,889	- 7.6%
FY 2003	626,340,356	- 41,967,938	- 6.3%
Est. FY 2004	615,480,822	- 10,859,534	- 1.7%
Est. FY 2005	616,391,366	910,544	0.1%
Percentage change FY 2000 - estimated FY 2005			- 12.3%
Five-year average annual change			- 2.5%

Notes:

- 1) Includes appropriations made by the Economic Development Subcommittee.
- 2) Totals for FY 2002 through FY 2005 include other funds for tuition replacement.
- 3) Totals for FY 2002 through FY 2003 include other funds for salaries.

**GENERAL FUND APPROPRIATIONS
FOR TUITION GRANTS
FY 2000 - FY 2005**



	<u>Appropriations</u>	<u>Change</u>	<u>Percent Change</u>
FY 2000	\$ 47,664,750	\$ 3,000,000	6.7%
FY 2001	48,830,075	1,165,325	2.4%
FY 2002	47,155,382	- 1,674,693	- 3.4%
FY 2003	46,117,964	- 1,037,418	- 2.2%
Est. FY 2004	45,257,515	- 860,449	- 1.9%
Est. FY 2005	47,157,515	1,900,000	4.2%
Percentage increase FY 2000 - estimated FY 2005			- 1.1%
Five-year average annual change			- 0.2%

**REGENTS ENROLLMENTS AND TUITION DATA
HISTORICAL COMPARISON**

Total Enrollments

	<u>FY 1999</u>	<u>FY 2004</u>	<u>% Change</u>
SUI	28,846	29,745	3.1%
ISU	26,110	27,380	4.9%
UNI	13,553	13,441	- 0.8%
Total	68,509	70,566	3.0%

**Annual Undergraduate Resident
Base Tuition**

	<u>FY 1999</u>	<u>FY 2004</u>	<u>% Change</u>
SUI	\$ 2,666	\$ 4,342	62.9%
ISU	2,666	4,342	62.9%
UNI	2,666	4,342	62.9%

**Annual Undergraduate Nonresident
Base Tuition**

	<u>FY 1999</u>	<u>FY 2004</u>	<u>% Change</u>
SUI	\$ 9,788	\$ 14,634	49.5%
ISU	8,944	13,684	53.0%
UNI	7,221	11,300	56.5%

SUI = University of Iowa
 ISU = Iowa State University
 UNI = University of Northern Iowa

Note:

Approximately 72.0% of all students enrolled at Regents Universities are residents of Iowa.

**HEALTH AND HUMAN
SERVICES**

**DEPARTMENT OF HUMAN SERVICES
PROGRAMS**

The Department of Human Services is projected to spend \$2.940 billion combined for all programs, including Medical Assistance, the Family Investment Program, and the Food Stamp Program during FY 2005 (all funding sources). Federal funding is projected to account for \$1.825 billion, or 62.1% of these expenditures. Senior Living Trust Fund appropriations are \$153.3 million, or 5.2%. State General Fund appropriations are \$735.7 million, or 25.0%. The Medical Assistance Program is projected to serve a total of 284,000 individuals during FY 2005. The Family Investment Program is projected to serve an average of 20,004 households each month. The Food Stamp Program is projected to serve an average of 183,000 individuals each month during FY 2005.

The Family Investment Program (FIP) provides direct cash grant assistance to needy families in which the children are deprived of parental care or support due to absence, death, incapacity, or unemployment of one or both parents. In FY 1997, the federal government began to block grant \$131.5 million to Iowa annually from the Temporary Assistance for Needy Families (TANF) Block Grant. Revenues from child support recoveries also finance the Program. The Program was created in FY 1994 as part of a welfare reform effort that changed the structure and benefits of the previous Aid to Families with Dependent Children (AFDC) Program in order to reduce economic disincentives to employment.

The Food Stamp Program is a federally funded program administered by the U.S. Department of Agriculture which has the goal of preventing hunger and malnutrition. Recipients of the Family Investment Program are automatically eligible for food stamps. Individuals or families may also qualify for food stamps without receiving Family Investment Program benefits.

The Child Support Recovery Unit is responsible for collecting child support for families receiving FIP benefits and other families requesting assistance. Other activities include establishing paternity and child and medical support orders, locating absent parents, and reviewing and adjusting support orders upon the request of either parent.

The Medical Assistance Program pays for low-income aged, blind, and disabled citizens, residents of

**DEPARTMENT OF HUMAN SERVICES
PROGRAMS (Cont'd.)**

institutions, and other low-income lowans who meet certain criteria. Federal law requires coverage of specified services and eligibility groups. In addition, the State of Iowa is currently covering most of the optional services and eligibility groups for which federal matching funds are available.

The State Children's Health Insurance Program began in FY 1999, including an expansion of Medical Assistance eligibility for children to 133.0% of the federal poverty level and coverage up to 185.0% of the federal poverty level in the Healthy and Well Kids in Iowa (hawk-i) using private insurance coverage. The Tobacco Fund Appropriations Act for FY 2001 (HF 2555) expanded income eligibility guidelines to 200.0% of the Federal Poverty Level.

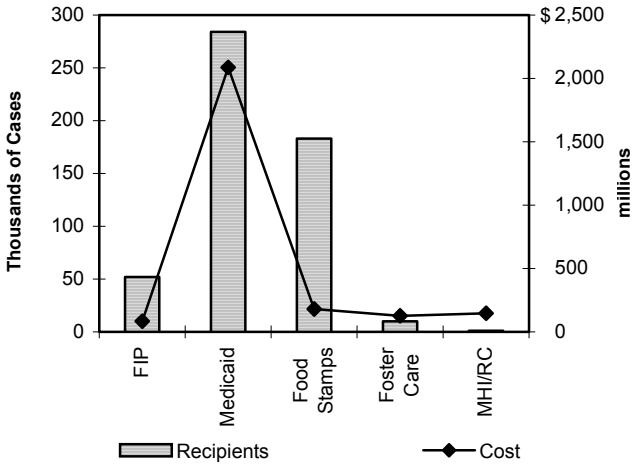
The Foster Care Program provides 24-hour temporary care for children unable to remain in their own homes, while offering services to families and children in order to implement plans for permanent placement.

There are four Mental Health Institutes for the mentally ill, located at Clarinda, Independence, Mt. Pleasant, and Cherokee. These Institutes provide a range of psychiatric and substance abuse services in an inpatient residential setting for those cases that community-based services cannot handle. The Institutes also provide limited outpatient services. Two of the Institutes, Clarinda and Mt. Pleasant, share campuses and selected support resources with adult correctional facilities operated by the Department of Corrections.

There are two Resource Centers which provide for the mentally retarded, located at Glenwood and Woodward. These Resource Centers provide diagnostic evaluation, treatment, training, care, rehabilitation, and support of mentally retarded persons. The Resource Centers also serve as the locations for various entities within the respective geographic areas which provide a wide variety of services to the area.

There is a Sexual Predator Civil Commitment Program located at the Mental Health Institute at Cherokee, which provides treatment for those who have served prison-time, consisting of three treatment components: assessment, treatment, and discharge planning.

DEPARTMENT OF HUMAN SERVICES
FY 2005 MAJOR PROGRAMS



	Average Monthly Recipients Per Program	Total Program Cost
FIP	51,900	\$ 84,323,007
Medicaid	284,000	2,086,170,528
Food Stamps	183,000	180,744,640
Foster Care*	9,965	126,072,636
MHI/RC**	979	147,032,981

* Foster Care includes group foster care, foster family care, and subsidized adoptions.

** Based on Average Daily Census.

Note:

The number of recipients per program may be overestimated. Recipients may participate in more than one program causing the number of cases shown here to be inflated.

FIP = Family Investment Program

MHI/RC = Mental Health Institutes/Resource Centers

TOTAL MEDICAL ASSISTANCE SPENDING
FY 2003 - FY 2005
(\$ in millions)

Category	Actual FY 2003	Est. FY 2004	Est. FY 2005
Inpatient*	\$ 209.8	\$ 198.0	\$ 184.3
Outpatient*	97.7	92.2	85.9
NF-Excluding MR*	398.2	375.8	349.9
NF-MR	209.3	197.5	183.9
Physicians Services*	103.0	97.2	90.5
Lab & X-ray Services*	2.1	2.0	1.8
Ambulance Services	1.8	1.7	1.6
Prescribed Drugs	323.9	372.5	428.4
HMO*	102.8	97.0	90.3
Medical Supplies	27.3	25.8	24.0
Dental Services	34.1	32.2	30.0
Optometric Services	5.5	5.2	4.8
Iowa Plan*	85.2	80.4	74.9
Waiver Services**	175.8	200.8	226.2
Other	352.5	332.7	309.7
Total	\$ 2,129.0	\$ 2,111.0	\$ 2,086.2

* Mandatory Services.

** Waiver Services - Mentally ill and handicapped waiver, AIDS waiver, brain injury waiver, mentally retarded waiver, elderly waiver, physical disabilities waiver, and home health.

Note:

Dollars include federal, State, and county dollars.

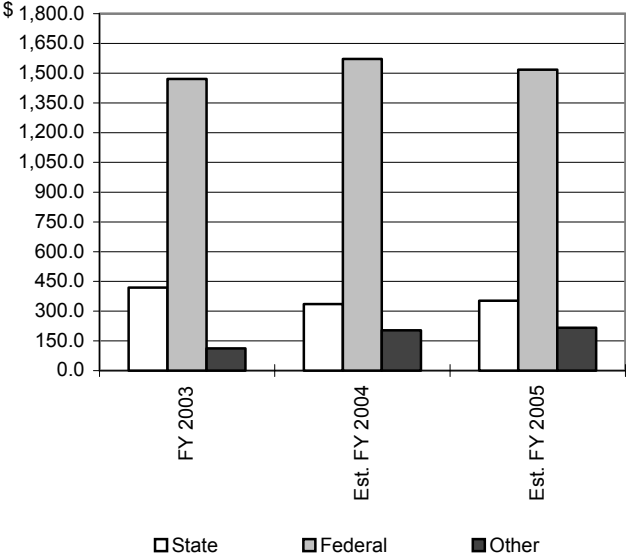
AIDS = Acquired Immune Deficiency Syndrome

NF = Nursing Facility

HMO = Health Maintenance Organization

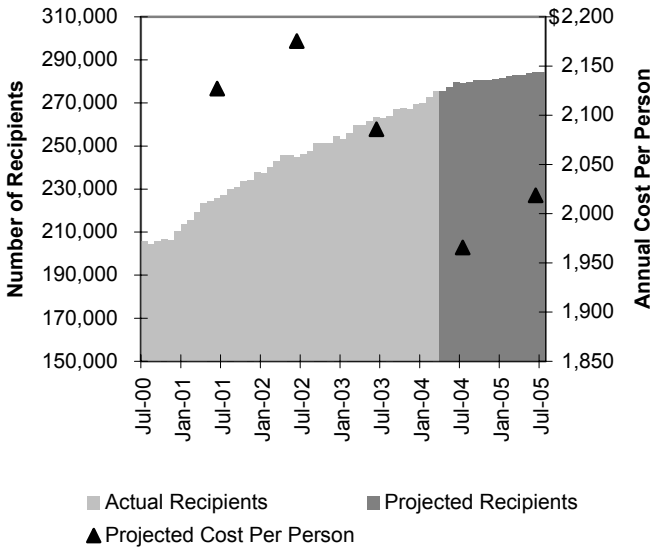
MR = Mentally Retarded

**TOTAL MEDICAL ASSISTANCE SPENDING (Cont'd.)
FY 2003 - FY 2005
(\$ in millions)**



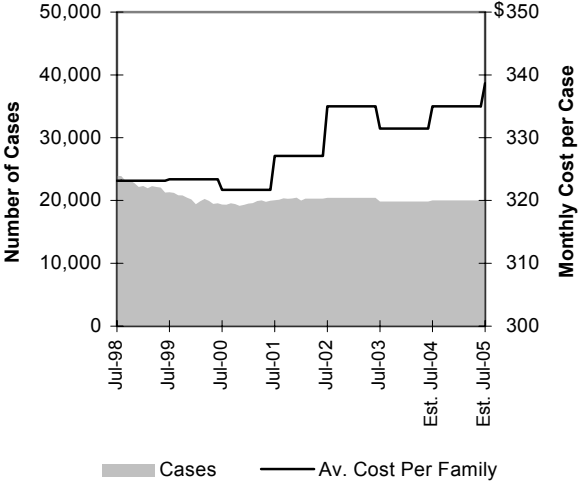
- The federal government matches State spending of 36.4% with 63.6% of federal spending for FY 2005.

MEDICAL ASSISTANCE PROGRAM CASELOAD AND COST PER CASE



- Medical Assistance (Medicaid) Program enrollment is estimated to increase by 5.9% in FY 2004 and 4.1% in FY 2005.

**FAMILY INVESTMENT PROGRAM
CASELOAD AND COST PER CASE**



- Total caseload for the Family Investment Program has declined from a high of 40,659 in April 1994 to an estimated FY 2005 caseload of 20,004. This is a decrease of 20,655 cases (50.8%).
- Cost per case has declined from a high of \$377.27 per month in September 1991 to an estimated FY 2005 cost per case of \$338.66. This is a decrease of \$38.61 per month (10.2%).

CHILDREN'S HEALTH INSURANCE (CHIP) PROGRAM

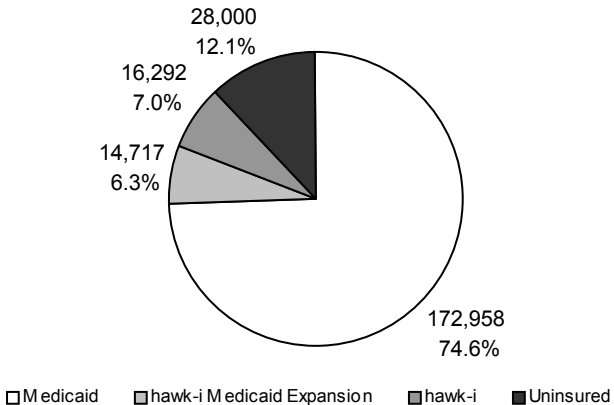
Congress enacted the Children's Health Insurance Program, with federal funds available on October 1, 1997, to provide insurance for children in families with incomes up to 200.0% of the Federal Poverty Level (FPL).

Senate File 2298 (FY 2005 Omnibus Appropriations Act) appropriates \$12.1 million from the General Fund and \$2.9 million from the Healthy and Well Kids in Iowa (*hawk-i*) Trust Fund to provide Iowa's match for \$44.5 million in federal funds.

The *hawk-i* Program was enacted in 1998, establishing a private insurance program for children in families with incomes between 133.0% and 185.0% of the FPL. The Program was implemented January 1, 1999, through a managed care plan offered in 16 counties. The Program was expanded statewide through an indemnity plan on March 1, 1999. Statewide coverage is provided by two managed care plans and one indemnity plan. The Program was expanded to 200.0% of the FPL in FY 2003.

The Bureau of Census estimates 28,000 (3.7%) uninsured children in the State are at or below the 200.0% FPL. As of March 2004, 31,009 children were enrolled in the *hawk-i* Program.

Children Below 200.0% FPL



CRIME/ENFORCEMENT

PRISONS/CORRECTIONS



Iowa began expanding the 3,603-bed Prison System in FY 1995. The table on the next page details the prison expansion. Each 800-bed medium-security prison costs approximately \$50.0 million to construct and \$28.0 million per year to operate.

The General Assembly approved the addition of 3,594 beds since the 1997 Session, as indicated in the table below.

Prison Expansion FY 1996 - FY 2007

Location	No. of Beds	Opening Date
Clarinda	750 *	April 1996
Newton	750	July 1997
Ft. Dodge	750	April 1998
Mt. Pleasant	100 **	April 1999
Mitchellville	232	April 2000
Ft. Dodge	400	February 2000
Ft. Madison	200 ***	August 2002
Oakdale	170	July 2006
Luster Heights	17	January 2004
Clarinda	225	January 2005

* Replaced the 152-bed facility.

** Conversion of Department of Human Services beds to special needs women's prison beds.

*** The 200-bed Clinical Care Unit opened in three phases during FY 2003.

In addition to the new construction, the Department of Corrections has modified its calculation of design capacity. Given these changes and construction, the Prison System will have a total capacity of 7,384 beds upon completion.

The prison population has steadily increased over the last two fiscal years, growing by approximately 400 inmates. The Criminal and Juvenile Justice Planning Division has projected that the inmate population will grow to 11,925 inmates by the end of FY 2013, given current correctional policies and practices.

PRISONS/CORRECTIONS (Cont'd.)

With the addition of the new prison beds, modification of the design capacity calculation, and the increase in the inmate population, overcrowding was 123.4% in April 2004. The prison population is projected to increase to 8,770 by the end of FY 2004, which, with the addition of the approved prison beds, will be 125.4% of total capacity. By the end of FY 2013, the prison population is projected to increase to 11,925 inmates, which will be 161.5% of capacity.

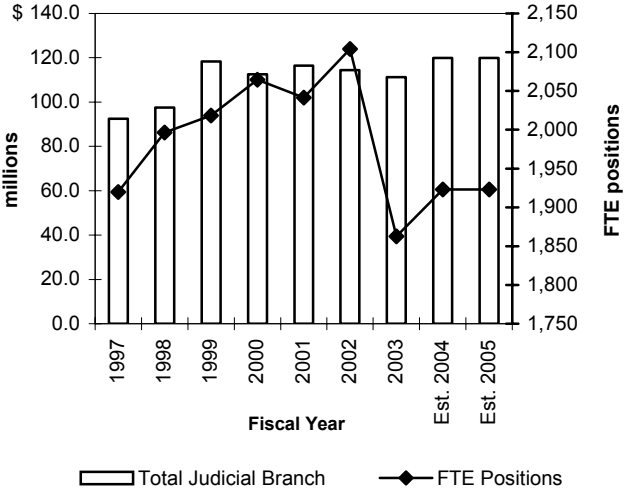
PRISON POPULATION

The State prisons were operating at 123.4% of current designed capacity on April 16, 2004, with a prison population of 8,623 offenders. Current designed capacity is 6,989 beds. Designed capacity will increase to 7,384 beds by FY 2007 when the 225 beds at Clarinda open in January 2005, and the 170-bed Special Needs Unit at Oakdale is constructed and operating (FY 2007). The State prison budget is based on 7,800 inmates; the current system is operating at 109.7% of budgeted capacity.

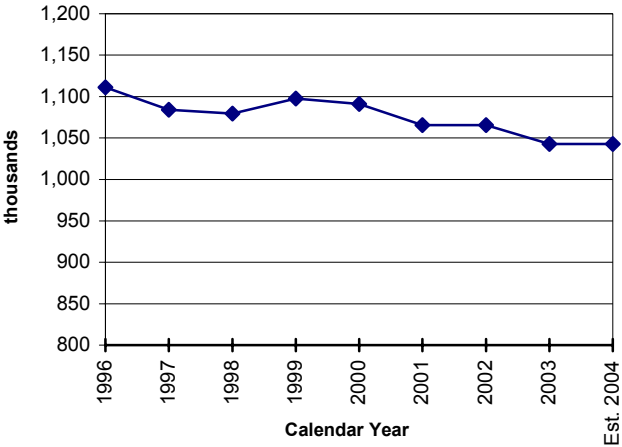
The Criminal and Juvenile Justice Planning Division in the Department of Human Rights released its prison population forecast. The report stated that by FY 2013, the prison population is expected to reach 11,925 offenders if there are no changes to offender behavior, and justice system policies, trends, and practices remain unchanged.

If the prison population reaches 11,925 offenders, five new prisons will need to be built over the next ten years. Construction cost per prison is estimated to be \$50.0 million, and annual operating costs are approximately \$28.0 million. If five new 800-bed prisons are built, total construction costs are estimated to be \$250.0 million and annual operating costs are estimated to be \$140.0 million. If the prison population reaches 11,925 offenders and five new prisons are built, designed capacity would be 11,384 beds, and the prisons would be operating at 104.8% of designed capacity.

**JUDICIAL BRANCH
APPROPRIATIONS AND FTE POSITIONS
FY 1997 - FY 2005**

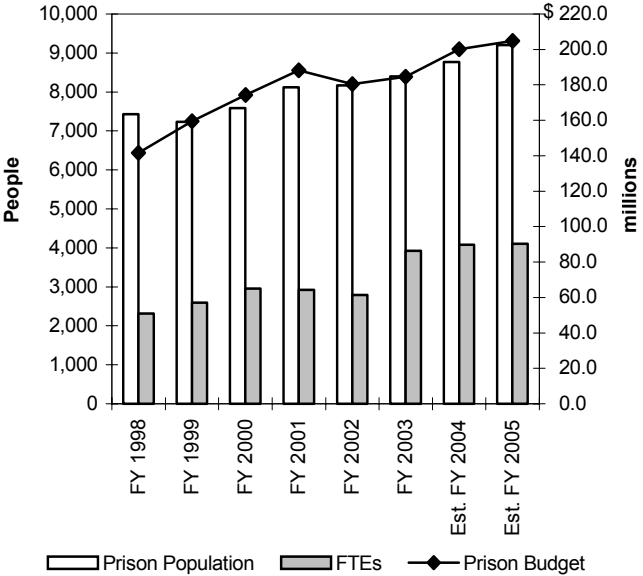


**COURT CASE FILINGS
CY 1996 - CY 2004**

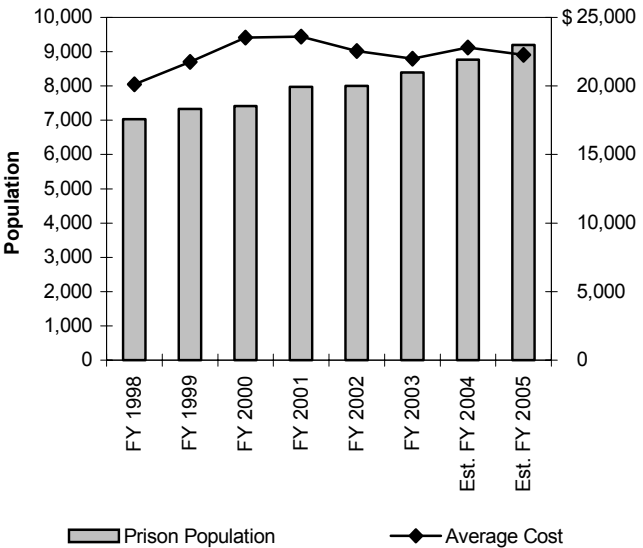


CY = Calendar Year

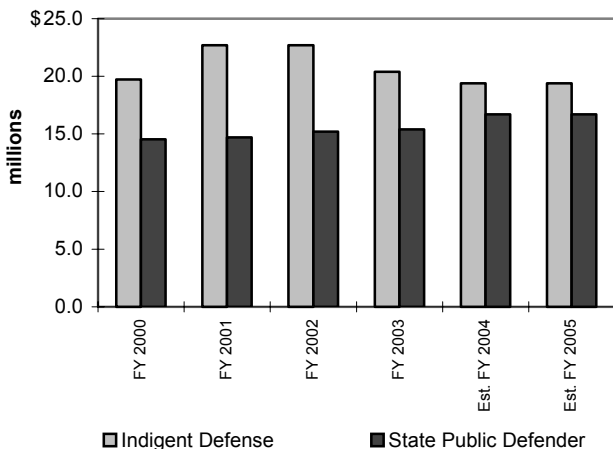
YEAR-END PRISON POPULATION, STAFFING, AND BUDGET



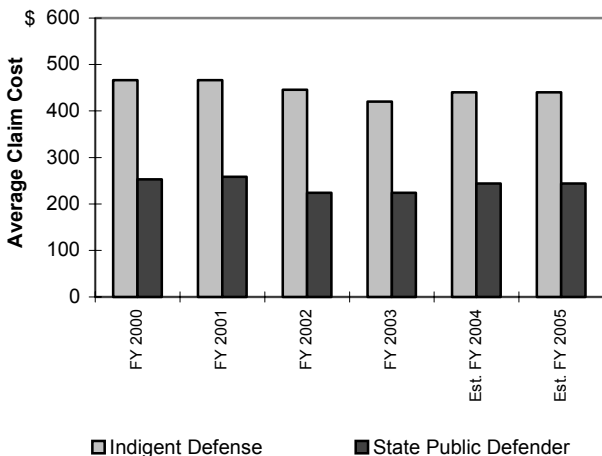
AVERAGE PRISON POPULATION AND AVERAGE ANNUAL COST PER PRISONER



INDIGENT DEFENSE AND STATE PUBLIC DEFENDER EXPENDITURES FY 2000 - FY 2005



INDIGENT DEFENSE AND STATE PUBLIC DEFENDER COSTS PER CLAIM FY 2000 - FY 2005



Note:

Costs for juvenile cases are included for the State Public Defender and for Indigent Defense.

TRANSPORTATION

ROAD USE TAX FUND



The Road Use Tax Fund is comprised of revenue sources which include taxes on fuels; fees collected on vehicle registrations, titles, and driver licenses; and use tax collected on motor vehicle purchases and related equipment.

Except for administrative costs, all vehicle registration fees, license fees, and motor vehicle fuel taxes are constitutionally mandated to be spent exclusively for the construction, maintenance, and supervision of the State's public highways (Section 8, Article VII, Constitution of the State of Iowa). However, the use tax on motor vehicles and equipment is exempt from the constitutional mandate.

The following table shows actual and estimated Road Use Tax Fund revenues for FY 2003 through FY 2005.

ROAD USE TAX FUND
(\$ in millions)

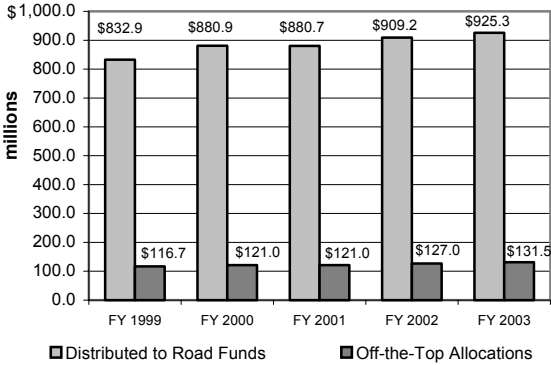
	Actual FY 2003	Estimated FY 2004	Estimated FY 2005
Revenues			
Fuel Tax	\$ 414.8	\$ 423.1	\$ 427.5
Registration Fees	370.0	379.8	386.8
Use Tax	216.4	221.8	226.3
Underground Tank Fees	20.5	20.5	20.5
Driver's License Fees	13.0	20.5	17.0
Interest	8.3	8.3	8.4
Other	13.7	13.7	12.4
Total	\$1,056.7	\$1,087.7	\$1,098.9

A portion of the Road Use Tax Fund revenues is appropriated either through standing appropriations established in the Code of Iowa, or through the annual appropriations process. These expenditures are referred to as "off-the-top" allocations, and are used to fund programs, equipment purchases, and department operations. After the off-the-top allocations are funded, the remaining revenues are distributed based on formulas to the Primary, Secondary, Farm-to-Market, and Municipal Road Funds.

ROAD USE TAX FUND (Cont'd.)

The following chart shows the comparison between the funds distributed by formula to the State, city, and county road funds and total off-the-top allocations.

Road Use Tax Fund Expenditures



Following the formula distributions to the four road funds, the remaining revenues are then transferred with the jurisdiction of certain roads, as detailed in the following section.

Transfer of Road Jurisdictions

In 2003, the General Assembly passed SF 451 (FY 2004 Road Jurisdiction and Funding Act). Beginning in FY 2004, the Act transferred the jurisdiction of certain roads, and transferred funds with those roads as follows:

- Effective FY 2004, the jurisdiction and control of approximately 700 miles of primary (State) roads, classified as Local Service Roads, has been transferred to cities and counties.
- From FY 2004 to FY 2013, 1.75% of Primary Road Fund moneys will be transferred annually to a Transfer of Jurisdiction Fund. The allocation will be distributed as follows:
 - 75.0% to counties and cities that assume jurisdiction of primary roads.
 - 22.5% to the Secondary Road Fund of all Counties.

ROAD USE TAX FUND (Cont'd.)

- 2.5% to the Street Construction (Municipal Road) Fund of all cities.
- Beginning in FY 2014, the Transfer of Jurisdiction Fund will be eliminated, and the 1.75% of Primary Road Fund moneys will be distributed to all cities and counties as follows:
 - 1.575% to the Secondary Road Fund of all counties.
 - 0.175% to the Street Construction Fund of all cities.
- In FY 2005, jurisdiction and control of approximately 360 miles of farm-to-market road extensions in cities with a population of less than 500 will be transferred to the respective counties.
- Effective FY 2005, a portion of the Street Construction Fund from cities that transferred jurisdiction of farm-to-market extensions to counties will be transferred to the respective counties.

The following table shows estimated Road Use Tax Fund appropriations the State, cities, and counties will receive in FY 2004 and FY 2005 under SF 451.

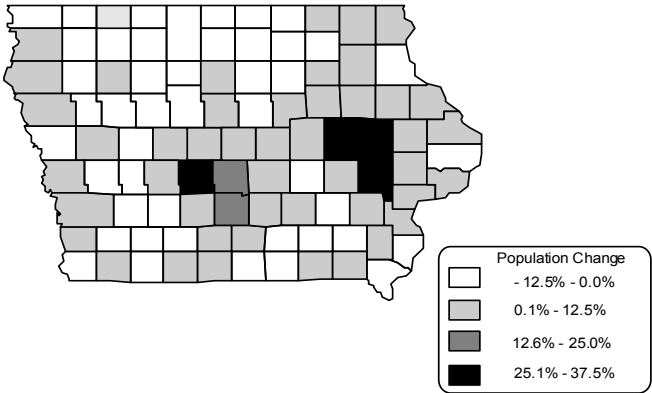
Transfer of Jurisdictions
Road Use Tax Fund Appropriations to State, Cities, and Counties
 (\$ in Millions)

Appropriations	Estimated FY 2004	Estimated FY 2005
Primary Road Fund (47.5%)	\$ 451.9	\$ 456.3
1.75% to Transfer of Jurisdiction Fund	- 7.9	- 8.0
Secondary Road Fund (24.5%)	233.1	235.3
Counties that assume jurisdiction of Primary Roads (FY 2004 to FY 2013)	5.3	5.4
Counties that assume jurisdiction of Farm-to-Market Road Extensions (FY 2005 and Beyond)	0.0	2.0
All Counties	1.8	1.8
Farm-to-Market Road Fund (8.0%)	76.1	76.8
Municipal Road Fund (20.0%)	190.3	192.1
Cities that assume jurisdiction of Primary Roads (FY 2004 to FY 2013)	0.6	0.6
Cities that transfer jurisdiction of Farm-to-Market Road Extensions* (FY 2005 and Beyond)	0.0	- 2.0
All Cities	0.2	0.2
Total Road Use Tax Fund Appropriations	<u>\$ 951.4</u>	<u>\$ 960.5</u>

* Includes road extensions in cities with a population of under 500.

STATE PROFILE

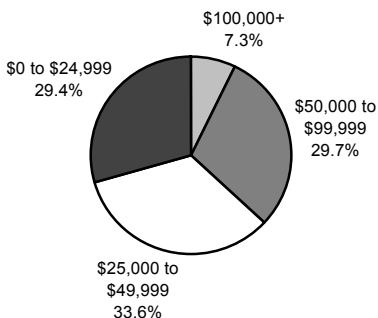
IOWA'S POPULATION CHANGE BY COUNTY 1990 - 2000



- Iowa's population was estimated at 2,944,062 in 2002.
- The State experienced a negative population growth rate between the years 1979 and 1988, while the national average was fairly constant at 1.0%.
- Iowa experienced a 5.4% growth in the population rate from 1990 to 2000, which was concentrated in and around metropolitan areas.
- Dallas County reported the greatest gains in population, increasing by 37.0% over the last ten years. Pocahontas County experienced the largest decline, with a loss of 9.1% during the same period.
- Approximately 25.0% of the State's population resides in four counties in the State, which include Dallas, Johnson, Linn, and Polk.
- The most populous county in the State is Polk County, which reported a growth rate of 14.5% during the 1990s.

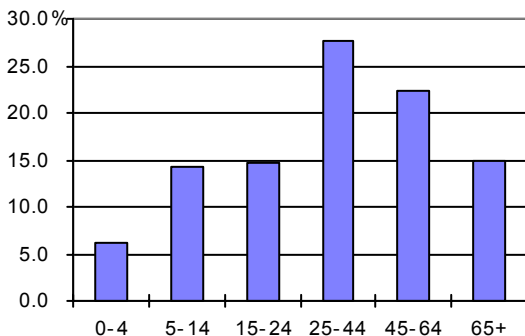
IOWA'S POPULATION (as of 2002)

HOUSEHOLD INCOME



- The average Iowa household has 2.5 members.
- Iowa's three-year average median household income (2000 - 2002) was \$41,827.
- The median age of an Iowan is 36.6 years of age compared to the national average of 35.3 years.

AGE DISTRIBUTION OF IOWANS



- The percentage of Iowans age 65 or older is 14.9% compared to the national average of 12.4%.
- In 2002, the marriage rate was 6.9 per 1,000 population.
- In 2002, the divorce rate was 3.1 per 1,000 population.

IOWA'S POPULATION (Cont'd.)

- In 2002, the percentage of births to unmarried women was 29.3%.
- In 2002, the infant death rate per 1,000 live births was 5.3.
- It is estimated that 92.5% of lowans are covered by health insurance compared to the national average of 85.4%.
- In 2002, 88.3% of Iowa's population age 25 and older reported graduating high school or higher.
 - The percentage of lowans age 25 and older with a bachelors degree is 21.2% compared to the national average of 24.4%.
 - Iowa's high school dropout rate was 2.5% compared to the national average of 4.8%.
- Iowa's population includes 5.2% who receive food stamps, ranking 39th in the nation. The national average is 7.1%.
- Iowa's average household Family Investment Program (FIP) monthly payment is \$123 compared to a national average of \$164.
- Iowa ranks 35th in the nation with 3,348 crimes per 100,000 population.
- Iowa had 284 state prisoners per 100,000 population, ranking 39th nationally.
 - The median age for inmates is 33 years old.
 - Men are 91.8% of the inmate population.
 - 70.7% of the inmate population is white, 22.0% is African-American, 4.8% is Hispanic, and 2.5% is other minorities.
- Iowa has a civilian labor force of 1.6 million persons. Women comprise 47.4% of the work force.

IOWA'S POPULATION (Cont'd.)

2003 NON-FARM EMPLOYMENT

Construction	4.5%
Education and Health	13.2%
Financial	6.6%
Government	17.0%
Information	2.3%
Leisure and Hospitality	8.7%
Manufacturing	15.3%
Natural Resources and Mining	0.1%
Other Services	3.9%
Professional and Business Serv.	7.3%
Trade, Transportation, and Utilities	21.1%