FISCAL UPDATE February 16, 1998

 Legislative Fiscal Bureau (515) 281-5279 FAX 281-8451

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Allowable Growth for Schools - SF 2084 sent to Governor



**SF 2084 - Allowable Growth** On February 12, the House passed SF 2084, which establishes a State percent of growth (Allowable Growth) for the purposes of the State School Foundation Formula at 3.0% for FY 2000. This increases the State cost per pupil by $120, to $4,133. Each district’s cost per pupil will also increase by $120.

**FY 2000 Fiscal Estimate** Senate File 2094 is estimated to increase FY 2000 State support of local school districts by $58.0 million (3.6%) and property tax support of local school districts by $25.4 million (2.9%), compared to estimated FY 1999. Contact the LFB for assumptions.

**FY 1999 Fiscal Estimate** The FY 1999 allowable growth rate of 3.5% was set in the 1996 Session. State aid is estimated to increase by $61.6 million (4.0%) and property taxes by $32.8 million (3.9%) for FY 1999, compared to estimated FY 1998.

**District Estimates Available** The estimates and district runs were updated on February 11, 1998. Estimates for FY 1999 and FY 2000 are available by district from the LFB. However, statewide assumptions are applied to each district to generate a statewide estimate. The statewide assumptions may not be appropriate for an individual district.

STAFF CONTACT: Jon Studer (Ext. 17799)

House Ways and Means Committee Passes HF 2153 - Public Pensions Pre-Tax

Retirement



**HF 2153 - Public Pensions** On February 9, the House Ways and Means Committee passed HF 2153, Pre-Tax Treatment for Public Pensions. Currently, for federal purposes, contributions to the Iowa Public Employees’ Retirement System (IPERS) and the other four public retirement plans are made on a pre-tax basis. Only for State income tax purposes are the contributions on an after-tax basis. Currently, nearly all private pension plans provide pre-tax treatment of contributions. The Bill would be effective January 1, 1999.

**Fiscal Estimate** The estimated fiscal impact from providing pre-tax treatment for public pensions is a net cost of $4.4 million in FY 1999 and $8.8 million in FY 2000. Much of the fiscal impact would be recouped in the future. As individuals retire, since the distributions from these retirement plans would now be taxable, a large portion of the impact would be recovered.



STAFF CONTACT: Larry Sigel (Ext. 14611)

Administration and Regulation Appropriations Subcommittee

**Admin./Regulation Sub.** The Administration and Regulation Appropriations Subcommittee met February 9 in the Office of the Treasurer of State. Michael Fitzgerald, Treasurer of State, provided a tour of the Office and led a discussion on issues pertaining to the duties of the Office. The main areas of discussion were the Linked Investment for Tomorrow (LIFT) Program and the Second Injury Fund.

**Next Week** The Subcommittee is scheduled to vote on the Administration and Regulation Appropriations Bill and amendments on February 17.

STAFF CONTACT: Carolyn India Black (Ext. 16765) Paige Piper/Bach (Ext. 14613)

AGRICULTURE AND NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE

**Agric./Natl. Resources Sub.** The Agriculture and Natural Resources Appropriations Subcommittee met February 10. A presentation on the Governor’s Recommendations for the budget was made by Sherry Weikum and Deb Kozel of the Legislative Fiscal Bureau.

STAFF CONTACT: Deb Kozel (Ext. 16767) Sherry Weikum (Ext. 17846)

Economic Development Appropriations Subcommittee

**Economic Development Sub.** The Economic Development Subcommittee met February 10, 11, and 12. On February 10, Department of Economic Development Director David Lyons briefed the Subcommittee on the status of the Community Economic Betterment Account (CEBA). Mr. Lyons indicated the Department’s goals for CEBA included raising the starting wage for companies receiving CEBA assistance and moving the Program to a self-sufficient revolving loan fund.

**Iowa Housing Corporation** Also on February 10, Larry Tuel, President of the Iowa Housing Corporation, returned to the Subcommittee to answer follow-up questions from the February 3 meeting.



**Report Reviewed** On February 11, Jeff Nall and Ann Wagner of the Department of Workforce Development, reviewed the draft report titled ***Is Iowa at Full Employment?*** The report was completed by the Department for the Iowa Business Council. The report reviews the current and future status of Iowa’s labor force and labor demand. After the presentation, the initial appropriations bill draft was distributed and discussed. The Subcommittee then met in caucus.

**Bill Draft** On February 12, the Subcommittee received a second appropriations bill draft and met in caucus.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Education Appropriations subcommittee

**Education Subcommittee** The Education Appropriations Subcommittee met the week of February 9 and conducted the following business:

* February 10 - Received testimony and information regarding the Iowa State University Extension Program.
* February 11 - Discussed the priorities of the members for the FY 1999 budget.

**More Information** Additional information is available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Mary Shipman (Ext. 14617)

HEALTH AND HUMAN RIGHTS APPROPRIATIONS SUBCOMMITTEE

**Health/Hum. Rts. Sub.** The Health and Human Rights Appropriations Subcommittee met February 10, 11, and 12.

**Technology Initiative Acct.** On February 10, Patricia Schroeder, Department of Management, provided an explanation of the Technology Initiative Account. The Subcommittee was reassured by Ms. Schroeder that the money was not needed for the Year 2000 problem.

**Recommendation**

**Recommendation** The Subcommittee members discussed the Technology Initiatives under their purview and made the following recommendation to the Oversight and Communications Appropriations Subcommittee:

 “The members of the Health and Human Rights Appropriations Subcommittee have reviewed the two technology initiatives requests submitted by the Departments of Human Rights and Public Health. We recommend that both initiatives be funded at the requested level and in the following order:

1. ICIS Data Warehouse: $175,000
2. Telephone Verification System: $400,000

 We also recommend if funds are insufficient to fully fund the next ranked projects that lower ranked, less expensive projects be funded first.”

**Discussion** The Legislative Fiscal Bureau staff reviewed the Departments’ budget requests and the Governor’s recommendations. Subcommittee members made suggestions regarding funding levels.

**Bill Draft Reviewed** On February 11, the LFB staff distributed and reviewed the bill draft. The Subcommittee discussed funding levels and directed the LFB staff to place the proposed numbers into the bill draft.

**Future Meetings** Subcommittee members requested that future Subcommittee time be used to discuss Newborn Drug Testing, the Federal Block Grant Bill, and Budgeting for Results.

**Federal Block Grant Bill** On February 12, the LFB staff provided an overview of the Federal Block Grant Bill.

**Bill Draft Approved** Also on February 12, the Subcommittee approved LSB 3182 (Health and Human Rights Subcommittee Appropriations Bill), which appropriates $89.2 million and 1,330.1 FTE positions to the Departments of the Blind, Elder Affairs, Human Rights, and Public Health; the Governor’s Alliance on Substance Abuse; the Civil Rights Commission; the Commission on Veterans Affairs; and the Iowa Veterans Home. This is an increase of $1.4 million (1.6%) and 0.2 (0.0%) FTE position compared to the estimated FY 1998 appropriation, and an increase of $200,000 (0.2%) and 1.3 (0.1%) FTE positions compared to the Governor’s Recommendation.

**Significant Changes** Significant changes compared to the estimated FY 1998 appropriation are outlined below.

**Dept. for the Blind** Department for the Blind - An increase of $43,000 to maintain the current library service level.

**Elder Affairs** Department of Elder Affairs -

* An increase of $500,000 to expand the Integrated Case Management for the Frail Elderly Program into all 99 counties.
* An increase of $58,000 for existing Retired Senior Volunteer Programs (RSVP), volunteer expenses, recruiting, recognition, and administration.

**Public Health** Department of Public Health -



* An increase of $94,000 and 1.0 FTE position to the Professional Licensure Bureau to conform to the 85.0% fees returned to budget language in the 1997 Health and Human Rights Appropriations Act.
* An increase of $100,000 for investigation of infections and completion of core public health functions at the local level.
* An increase of $42,000 and 1.0 FTE position to establish a Medicare rural hospital flexibility program.

**Human Rights** Department of Human Rights -

* An increase of $16,000 for technological support to all divisions.
* An increase of $13,000 for various projects of the Deaf Services Division.

**Veterans Affairs** Commission on Veterans Affairs - An increase of $193,000 for projected increases in the cost of contracted housekeeping and food services at the Iowa Veterans Home.

STAFF CONTACT: Valerie Thacker (Ext. 15270) Ron Robinson (Ext. 16256)

Human Services Appropriations Subcommittee

**Human Services Subcomm.** The Human Services Appropriations Subcommittee met February 10, 11, and 12. On February 10, the Subcommittee discussed prioritization of technology initiatives, which the Governor is recommending be funded from FY 1998 reversions. The Subcommittee affirmed the placement of human services-related technology issues recommended by the Governor, and expressed the following concerns:

* It is unknown if the amount of funding requested is sufficient, inadequate, or exorbitant. Members do not have the expertise to determine if the Department has made a good budget estimate.



* Specific plans of action with timelines and expectations of the systems should be required to insure timely completion of systems development and provide an oversight tool.
* Continued dissatisfaction with State government performance on other systems development, such as the Family and Children Services (FACS) system, XPERT, and the Iowa Court Information System (ICIS) suggests some oversight of performance. Discussion included reference to the State Auditor's Office concerning assistance on the part of the Auditor to insure contractor delivery of systems expectations.



**Prior Authorization Discussed** On February 11, the Subcommittee discussed Prior Authorization of pharmaceuticals with Don Herman, Medical Services Division Administrator, and Cheryl Clark and Greg Hoyman of the Drug Utilization Review Commission. Mr. Herman stated that a modest program of Prior Authorization of prescription drugs in conjunction with prospective Drug Utilization Review would be compatible cost savings measures. The Subcommittee also approved a concurrent resolution affirming the efforts of the Child Welfare Services Work Group and requesting that leadership of the General Assembly develop a memorandum of understanding to continue collaboration between the federal Health Care Financing Administration (HCFA) and the Work Group.

**Issues For Discussion** On February 12, the Subcommittee continued discussion of the Human Services FY 1999 Appropriations Bill and the proposed Governor’s Bill. The Subcommittee set aside the following issues for further discussion:

* Prior Authorization of specified pharmaceuticals for Medicaid eligibles.
* Personal Care Services Medicaid waiver status.
* A new Medicaid waiver for mentally retarded children in Group Care living arrangements.
* Child care eligibility and sliding fee scale.
* Medicaid reimbursement of hospitals with graduate medical education programs.
* A process for evaluating turnover of Certified Nurse Aides in long-term care facilities.
* Group Care Supreme Court decision.
* Pregnancy prevention grant criteria.
* Civil commitment facility for sexually violent predators.
* Reimbursement of Rehabilitative Treatment and Support (RTS) service providers.
* County payment of institutional billings within 30 days of receipt.
* Replacement process for Clinical Assessment and Consultation Teams (CACT).
* Medicaid reimbursement of dental and pharmaceutical dispensing services.

**Decisions** Subcommittee members plan to resolve these language differences and make appropriations decisions by Friday, February 20.

STAFF CONTACT: Deb Anderson (Ext. 16764) Margaret Buckton (Ext. 17942)

Justice System Appropriations Subcommittee

**Justice System** The Justice System Appropriations Subcommittee met February 10 to discuss specific budgetary issues.

**D.A.R.E. Program** Dan Brown, President of the Drug Abuse Resistance Education (D.A.R.E.) Advisory Board, discussed the D.A.R.E. Program and the FY 1999 budget of $270,000. In FY 1998, the D.A.R.E. Program received $30,000 from the General Fund.



**DNA Database Program** Commissioner Paul Wieck II, discussed the Deoxyribonucleic Acid (DNA) Database Program which the Department of Public Safety requested in the FY 1999 Departmental request and the Governor’s Recommendation. The Department requested an additional $532,000 and 4.0 FTE positions for FY 1999. The Governor recommended $350,000 and 2.0 FTE positions for FY 1999. Commissioner Wieck and Dar Chapman answered many questions on how DNA analysis currently is utilized and provided information on the expected uses of DNA databasing.

**Overtime Funds** Commissioner Wieck discussed the expenditure of FY 1998 overtime funds and the Department’s use of those funds for FY 1999.

STAFF CONTACT: Darlene Kruse (Ext. 16301) Dwayne Ferguson (Ext. 16561)

Oversight and Communications Appropriations Subcommittee

**Oversight & Comm. Sub.** The House Oversight and Communications Appropriations Subcommittee met February 10 and 11.



**ICN & Info. Technology** On February 10, the Subcommittee discussed the Governor’s budget bill for the Iowa Communications Network, Information Technology Services, and the Technology Initiative Account. The Subcommittee began discussing the priority of projects in the Technology Initiatives Account, but will wait to make a decision until other Subcommittees have provided input for projects related to departments under their purview.

**Presentations** On February 11, the Subcommittee heard presentations from:

* Joan Discher, Merit Corporation. Ms. Discher discussed efforts of Merit Corporation to meet performance measures and responded to questions related to the sale of Merit and the level of profit the company has made.
* Kent Hilyer, Iowa Interactive, and James Youngblood, Information Technology Services, discussed the efforts underway to make information that is public information available over the Internet. The proposed project, called IowAccess, will allow anyone with access to the Internet to find out public information kept by State government departments about any other individual. Information that is currently free would also be free over the Internet, and information for which a fee is charged, would continue to have a fee charged for it (such as a certified driver record now has a $5.00 fee).

**Next Week** On February 17, the Subcommittee will continue to discuss and begin to make decisions related to the appropriations within its jurisdiction.

STAFF CONTACT: Douglas Wulf (Ext. 13250) Glen Dickinson (Ext. 14616)

Transportation, Infrastructure, and Capitals Appropriations Subcommittee



**Tran., Infra., & Cap. Sub.** The Transportation, Infrastructure, and Capitals Appropriations Subcommittee passed the Department of Transportation Appropriations Bill. The Bill appropriates a total of $249.3 million, which includes $4.0 million from the General Fund, $32.5 million from the Road Use Tax Fund, $212.8 million from the Primary Road Fund, and $25,000 from the Motorcycle Rider Education Fund. This represents a $375,000 increase compared to the Governor’s recommendation. The Bill provides funding for the following purposes.

**DOT Operations** Department of Transportation (DOT) Operations: The Bill provides $244.7 million for DOT operations, an increase of $3.8 million (1.6%) compared to estimated FY 1998. The appropriations, by division, are summarized below.



**Operations & Finance Div.** Operations and Finance Division: $32.9 million and 271.0 FTE positions, an increase $1.9 million (6.2%) and 17.00 FTE positions compared to estimated FY 1998. The change includes:

* An increase of $200,000 for facility lease costs.
* An increase of $102,000 for telecommunication costs.
* An increase of $116,000 for contract maintenance on computer equipment and software licenses.
* An increase of $225,000 and 5.00 FTE positions for automation staff to implement the Electronic Document Management System and for support of a new local area network computer system.
* An increase of $35,000 for utility costs.
* An increase of $55,000 for outsourced maintenance contracts for printing-related equipment in the DOT’s Office of Document Services.



 **Year 2000**

* An increase of $53,000 for reimbursement to Information Technology Services for salary annualization costs associated with the contract employees who provide computer support for the DOT.
* An increase of $186,000 for costs associated with the conversion of automation equipment and software to be Year 2000 compliant.
* An increase of $29,000 for Association of American Motor Vehicle Administrators Network (AAMVNET) services. The Network provides the resource necessary for states to access the National Driver License Records System and the Commercial Driver License Information System.
* An increase of $38,000 for publishing additional road maps due to increased demand and tourism in the State. The funds will be used to produce an additional 250,000 maps.
* An increase of $476,000 and 12.00 FTE positions for the transfer of existing funds and positions from the Project Development Division to increase the number of programming support staff within the Operations and Finance Division.
* An increase of $40,000 to connect DOT employees to the new Iowa Hub Electronic Mail System.
* An increase of $376,000 for salary annualization.

**Admin. Services Div.** Administrative Services Division: $6.4 million and 98.0 FTE positions, an increase of $26,000 (0.4%) for salary annualization and no change in FTE positions compared to estimated FY 1998.

**Planning & Prog. Div.** Planning and Programming Division: $9.1 million and 174.0 FTE positions, an increase of $93,000 (1.03%) and no change in FTE positions compared to estimated FY 1998.

* An increase of $88,000 for salary annualization.
* An increase of $5,000 for the Mississippi Parkway Commission.



**Project Development Div.** Project Development Division: $55.5 million and 1,174.0 FTE positions, an increase of $81,000 (0.2%) and a decrease of 11.0 FTE positions compared to estimated FY 1998. The change includes:

* An increase of $170,000 for start-up and training costs associated with software designed to automate the Department’s contract management system.
* A decrease of $476,000 and 12.0 FTE positions for the transfer of funds and staff to the Operations and Finance Division.
* An increase of $65,000 and 1.0 FTE position for the transfer of a position and existing funds from the Maintenance Division.
* An increase of $322,000 for salary annualization.

**Maintenance Div.** Maintenance Division: $101.8 million and 1,591.0 FTE positions, an increase of $1.0 million (1.0%) and a decrease of 1.0 FTE position compared to estimated FY 1998. The change includes:

* An increase of $457,000 for the increased cost of sodium chloride for use on the Primary Road System for winter road maintenance.
* An increase of $275,000 for the purchase of additional sodium chloride due to expanded use on Level D Primary Roads for winter road maintenance. Level D roads consist of approximately 5,000 miles of the Primary System, are less frequently traveled, and are generally maintained at a lower standard than Level C and above roads.
* An increase of $90,000 to provide funding for experimental clothing.
* A decrease of $65,000 and 1.0 FTE position for the transfer of a position and funds to the Project Development Division.
* An increase of $258,000 for salary annualization.

**Motor Vehicle Div.** Motor Vehicle Division: $24.8 million and 563.0 FTE positions, an increase of $1.0 million (4.2%) and 15.0 FTE positions compared to estimated FY 1998. The change includes:



* An increase of $95,000 and 2.0 FTE positions to hire additional driver license examiners to assist with the issuance of Commercial Driver Licenses due to increased demand.
* An increase of $292,000 and 9.0 FTE positions to implement new requirements legislated in HF 734 (License Revocation Penalties Act) and HF 707 (Substance Abuse Act) pertaining to the collection of civil penalties for certain motor vehicle violations and for monitoring proof of completion of the drinking drivers course.
* An increase of $148,000 and 4.0 FTE positions for implementation of the proposed Graduated Driver Licensing System, which would place additional licensing requirements on beginning drivers between the ages of 14 and 17.
* An increase of $469,000 for salary annualization.

**Other Appropriations** The Bill also makes the following appropriations:

* Inventory and Equipment Replacement: $3.9 million, an increase of $689,000 (21.2%) compared to estimated FY 1998 for inflationary costs of equipment purchased through the Materials and Equipment Replacement Revolving Fund.
* State Auditor Reimbursement: $268,000, an increase of $27,000 (11.2%) compared to estimated FY 1998 for increased reimbursement to the State Auditor’s Office.
* Digitized Imaging System Lease: $1.6 million, an increase of $349,000 (26.9%) compared to estimated FY 1998 due to the increased number of documents (driver licenses and non-operator identification devices) issued through the Digitized Imaging Systems. The Systems are currently leased through the Polaroid Corporation and the State pays Polaroid a rate of $1.777 for every document processed.
* Railroad Assistance Program: $1.2 million, a decrease of $225,000 (15.9%) compared to estimated FY 1998 to fund the Program at the level of projected FY 1999 bond and loan repayments.



* State Aviation Program: $2.5 million, an increase of $12,000 (1.1%) compared to estimated FY 1998 for increased support of the Program.
* $16,000 for the Iowa Civil Air Patrol. This is a new appropriation.
* $700,000 for payment to the Department of Personnel for administrative expenses maintaining the current level of funding.
* $345,000 for payment of unemployment compensation claims, maintaining the current level of funding.
* $1.5 million for payment of workers’ compensation costs, maintaining the current level of funding.
* $800,000 for payment to the General Fund for indirect cost recoveries, maintaining the current level of funding.
* $1.0 million for costs associated with the disposal of hazardous wastes, maintaining the current level of funding.
* $150,000 for membership in the North America’s Superhighway Corridor Coalition, maintaining the current level of funding.
* $100,000 for operational costs associated with the toll-free telephone road and weather condition information system. These funds will be transferred to the Department of Public Safety.

**Capital Projects** Other Appropriations: The Bill also appropriates $4.6 million for capital projects and other purposes, which include:



* $550,000 to complete paving and grading necessary to replace existing scales and to construct buildings at the scale and inspection site in Fremont County.
* $1.5 million for construction of maintenance garage facilities. The projects include facilities in Storm Lake, Allison, and Shenandoah.
* $500,000 for construction of four salt storage facilities. The planned locations include Williams, West Burlington, Dubuque, and Davenport.
* $300,000 for waste water treatment improvements at maintenance garage locations.
* $300,000 for replacement of roofs at various maintenance garage locations.
* $200,000 for improvements to DOT facilities located throughout the State for compliance with the Americans with Disabilities Act requirements.
* $1.2 million for remodeling the third floor of the Department of Transportation Administration Building in Ames. This includes the removal of asbestos, replacement of the heating, ventilation, and air conditioning systems, and replacement of the ceiling and carpet.
* $25,000 from the Motorcycle Rider Education Fund for a grant to a national group of motorcycle riders, to be used for the purchase of equipment used in motorcycle education and training.

**Amendments to the Code** The Bill also amends the Code of Iowa in the following ways:

* Reduces the amount of funds transferred from the Road Use Tax Fund to the General Fund for odometer fraud enforcement and prosecution. Under current law, 25 cents for every motor vehicle title issued (approximately $250,000 annually) is transferred to the General Fund to offset the costs incurred by the Attorney General’s appropriation for odometer fraud enforcement and prosecution. This Bill reduces the allocation to 10 cents for every title issued, which will reduce the amount transferred to the General Fund by an estimated $150,000 annually.
* Eliminates a provision that requires a portion of the fines and fees collected from commercial vehicle violation citations be deposited into the Prison Infrastructure Fund.

STAFF CONTACT: David Reynolds (Ext. 16934)

House Education Committee passes On-Time Funding

**HF 2130 - On-Time Funding** On February 11, the House Education Committee passed HF 2130, On-Time Funding Bill. The Bill appropriates $4.0 million from the General Fund.



**Enrollment Count** Enrollment is taken on the third Friday in September. The enrollment count is used in the next fiscal year for funding purposes. The Bill would provide funding to school districts with increasing enrollment in the fiscal year the pupils are counted. For example, enrollment was taken in September 1997 for FY 1999. Under the Bill, increasing enrollment districts would be eligible for funding in FY 1998. The funding must be approved by the School Budget Review Committee.

**District Estimates Available** The funding is calculated by multiplying one-third of the State cost per pupil by the student increase. Estimates by district are available from the LFB.

STAFF CONTACT: Jon Studer (Ext. 17799)

Senate Education Committee passes Two School Finance Formula Bills

**School Finance Bills** On February 11, the Senate Education Committee passed SSB 2087, Formula Repeal Modification, and HCR 15, School Finance Formula Study.

**SSB 2087 - Repeal Changed** Senate Study Bill 2087 moves the repeal of the school aid formula from July 1, 2001, to July 1, 2002.



**HCR 15 - Study**  House Concurrent Resolution 15, as amended by committee amendment S-5027, establishes a committee to conduct a comprehensive study of school finance. The committee will be comprised of five Senators and five Representatives. The Resolution allows the Legislative Council to expend up to $150,000 to fund the expenses of the committee.

STAFF CONTACT: Jon Studer (Ext. 17799)

Senate Education Committee Passes SSB 2112 - Early Education Improvement Program



**SSB 2112 - Early Ed. Improv.** The Senate Education Committee passed SSB 2112, creating an Early Education Improvement Program focusing on kindergarten through third grade. The Bill creates a standing appropriation of $7.0 million annually for a period of four years to the Department of Education to be provided to schools for purposes of including, but not limited to, the following:

* Reducing adult to student ratios by hiring additional teachers and adult teaching assistants.
* Volunteer coordinator programs.
* Implementation of instructional programs designed to increase student achievement in the areas of reading, language arts, and math.
* Parental involvement programs.
* Costs associated with establishing an extended school day or extended school year.

**Bill Provisions** The Bill requires school districts to report, by September 1 of each year to the Department of Education, the progress of these students towards meeting achievement goals as established by each district. The Bill also requires the Department of Education to submit the following to the Chairpersons and Ranking Members of the House and Senate Education Committees:

* A report by January 1, 2000, describing ways schools are using the funds appropriated for this Program and that the funds are being properly accounted for.
* A report by January 1, 2002, describing progress towards meeting student achievement goals.

**Separate Acctg. Required** The Bill requires separate accounting of the funds appropriated and prohibits use of the funds to pay costs associated with collective bargaining agreements or arbitrator’s awards or to supplant other funds currently received by school districts for kindergarten through third grade.

**Sunset Provision** Per the Bill, this Program will sunset July 1, 2002.

**Appropriation** The $7.0 million appropriation is to be distributed by the Department on a per pupil basis, but no district is to receive less than $10,000 per year. The Iowa School for the Deaf, Iowa Braille and Sightsaving School, and the Price Laboratory School at the University of Northern Iowa are included in the definition of public school district for purposes of this Program. A listing of the distribution by school district is available from the LFB.

STAFF CONTACT: Mary Shipman (Ext. 14617) Jon Studer (Ext. 17799)

Senate Education Committee Passes SSB 2101 - Teacher induction Program

**Teacher Induction Program** On February 12, the Senate Education Committee passed SSB 2101, appropriating $180,000 to the Department of Education to establish a Teacher Induction Program.

**Grant Award Process** The Bill requires the Department develop a process to award grants to school districts that establish beginning teacher induction programs. The grants are to be distributed equitably to reflect diversity geographically and by population.

**Program Requirements** The Bill provides specific requirements for the Program, which is designed to:

* Promote excellence in teaching.
* Build a supportive environment in school districts to increase retention of promising beginning teachers.
* Promote the personal and professional well-being of teachers.



**Estimated Cost** The appropriation is intended to support a minimum of 100 teams of mentors and beginning teachers at an approximate cost of $1,800 per team. Each teacher who agrees to be a mentor is eligible for a $500 stipend per semester. An estimated allocation of team funding is as follows:

* $1,000 annual stipend for the mentor teacher.
* $200 for prospective mentor training.
* $250 for school district administrative cost (employer’s share of FICA and IPERS on mentor stipend).
* $350 for shared costs of substitutes.

STAFF CONTACT: Mary Shipman (Ext. 14617)

January Lottery Revenues and Expenditures



**FY 1998 Lottery Revenues** Through January, FY 1998 Lottery sales revenues were $5.3 million below the FY 1997 level. Lottery prize expenses decreased $3.3 million, operating expenses increased $311,000, and transfers to other State funds decreased $2.1 million. The following table details the revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.

| **STATE LOTTERY****July Through January****(Dollars in millions)** |
| --- |
|  |  |  FY 1997 |  | FY 1998 |  | Inc./Decr. |  | % Inc. |
| FY Beg. Balance |  | $ 3.2 |  | $ 3.4 |  | $ 0.2 |  |  |
|  |  |  |  |  |  |  |  |  |
| Game Revenues |  | 96.6 |  | 91.4 |  | -5.3 |  | -5.4 |
| Interest |  | 0.6 |  | 0.5 |  | -0.1 |  | -15.6 |
|  Total Revenue |  | $ 97.2 |  | $ 91.9 |  | $ -5.4 |  | -5.5 |
|  |  |  |  |  |  |  |  |  |
| Prize Expense |  | $ 56.6 |  | $ 53.3 |  | $ -3.3 |  | -5.8 |
| Operating Expense |  | 20.0 |  | 20.3 |  | 0.3 |  | 1.6 |
| Transfer of Profits |  | 20.4 |  | 18.3 |  | -2.1 |  | -10.4 |
|  Total Expense |  | $ 96.9 |  | $ 91.8 |  | $ -5.1 |  | -5.3 |
|  |  |  |  |  |  |  |  |  |
| Year-to-Date Ending Balance |  | $ 3.5 |  | $ 3.4 |  | $ -0.1 |  |  |

**FY Sales** Fiscal year sales through January, compared to the same time period of FY 1997, were as follows:

* Instant ticket sales decreased $111,000 (0.2%).



* Iowa Lotto/Supercash sales decreased $1.7 million (28.4%).
* Multi-State Powerball sales decreased $710,000 (4.0%).
* Multi-State Daily Millions sales decreased $108,000 (3.4%).
* Dream Draw sales decreased $940,000 (100.0%, discontinued in FY 1997).
* Daily Game sales decreased $931,000 (24.4%).
* Pull-tab sales decreased $745,000 (5.1%).

**January Sales** Total Lottery sales for January were below January 1997 by $540,000 (4.2%). January 1998 sales for all games except pull-tabs were below January 1997.

**REC Projections** The November Revenue Estimating Conference (REC) projected FY 1998 Lottery profits will total $35.5 million. Of this amount, $35.0 million is to be transferred to the General Fund and three-tenths of one percent of gross Lottery sales transferred to the Gambler’s Assistance Fund (approximately $500,000). Actual profit transfer for FY 1997 was $35.0 million. Because of the decreased sales and revenues through the first seven months of FY 1998, it is unlikely Lottery profits will reach the level projected by the REC. The LFB currently estimates FY 1998 profits will be $30.0 to $33.0 million.

**Lottery Expenditures** The following chart shows the annual percent of Lottery revenue expended on prizes, administration, profit transfers to other State funds, and sales tax. The FY 1998 figure is through January and the previous year’s figures are year-end.



**Sales Tax Paid** In addition to the amount transferred to the State as profits, the Lottery has paid $4.6 million in sales tax during FY 1998.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Underground Storage Tank Program Update



**FY 1998 UST Program** During the first six months of FY 1998, the Underground Storage Tank (UST) Program received $21.8 million in revenue, while expending $6.3 million. In addition, the Program repaid $4.6 million in bond principal. Program funds began the fiscal year with a balance of $152.5 million and had $163.4 million available at the end of December 1997. Bond principal remaining to be paid totaled $91.7 million. The following table shows the revenues and expenditures of the Program. Columns may not add, due to rounding.

| **Underground Storage Tank Program****Dollars in millions** |
| --- |
|  |  |  |  |  |
|  |  | **July-Dec. FY 1998** |  | **Total Program FY 91- FY 98** |
| Prog. Beginning Balance |  | $ 152.5 |  | $ 0.0 |
|  |  |  |  |  |
| Bond Principal Received |  | 0.0 |  | 114.1 |
|  |  |  |  |  |
| Interest |  | 4.3 |  | 47.5 |
| Use Tax |  | 13.5 |  | 144.6 |
| Per Tank Fee |  | 0.0 |  | 4.1 |
| CRP Buy-In |  | 0.0 |  | 0.8 |
| Cost Recovery |  | 2.0 |  | 10.5 |
| Environmental Offset |  | 0.0 |  | 1.1 |
| Insurance Premiums |  | 1.9 |  | 24.6 |
| Fees, Federal, Misc. Inc. |  | 0.0 |  | 0.9 |
| Revenue Refunds |  | -0.0 |  | -3.0 |
| Revenue (Excluding Bonds) |  | $ 21.8 |  | $ 345.2 |
|  |  |  |  |  |
| Cleanup Expenditures |  | 2.6 |  | 102.7 |
| Admin Expenditures |  | 1.1 |  | 19.9 |
| Bond Interest Payments |  | 2.6 |  | 35.1 |
| Bond Issuance Costs |  | 0.1 |  | 1.7 |
| Expenses |  | $ 6.3 |  | $ 159.4 |
|  |  |  |  |  |
| Bond Principal Repaid |  | $ 4.6 |  | $ 22.4 |
|  |  |  |  |  |
| Program Ending Balance |  | $ 163.4 |  | $ 163.4 |
|  |  |  |  |  |
| Principal Remaining to Repay |  |  |  | $ 91.7 |

**Definitions** Definitions used in the above table:

* **Use Tax:** The UST Program is allotted funding from Motor Vehicle Use Tax receipts. The Road Use Tax Fund is partially reimbursed for this allotment through a diminution fee on certain petroleum products. This fee is currently equal to one cent per gallon and generated $9.8 million during the first six months of FY 1998 and $132.6 million since Program inception.
* **Per Tank Fee:**  The UST Program receives $50 of the annual $65 per-tank registration fee collected by the Department of Natural Resources.
* **CRP Buy-In:** Non-eligible site owners in Community Remediation Program (CRP) areas may elect to add their sites to the total project if they agree to pay an equitable portion of cleanup expenses.
* **Cost Recovery:** Funds are received through court action and negotiation with non-eligible responsible parties. Other funds are "cost recovered" through settlements and agreements which reduce the State's liability for the cost of certain site cleanups. Those recoveries are not reflected in the balance sheet. The spreadsheet reflects cash received to date.
* **Environmental Offset:** Commercial sites and sites offered for sale that received benefits but did not contribute to the Fund through the diminution fee were assessed a charge. This charge was withheld (offset) from UST Program reimbursements to the owners. The funding source was eliminated by the 1995 General Assembly.

**Administrative Expenditures** FY 1998 administrative expenditures through December include:



* Williams and Company, Program Administrator - $612,000
* Private Legal Counsel - $219,000
* Attorney General - $94,000
* Preston Engineering, Site Cleanup Report Review - $141,000
* Department of Natural Resources - $75,000
* Iowa State University - $34,000
* Other administrative expenses - $39,000

**Cleanup Expenditures** FY 1998 cleanup expenditures through December include:



* Community Remediation and Innovative Technology Contractors - $388,000
* Quick Trip - $41,000
* Department of Transportation - $43,000
* IES Utilities - $37,000
* Krause Gentle (Kum & Go) - $93,000
* Bro Oil - $57,000
* Approximately 800 other UST Program benefit recipients - $4.5 million



**Program Status** As of November 1997, the UST Program had:

* 2,143 sites currently insured.
* 52 installer/inspectors currently insured.
* 58 open insurance claims.
* Insurance claims of $2.2 million either paid or reserved for future payment. Claims actually paid from the Insurance Fund total $282,000 since Program inception.
* Two insured property transfers.
* 3,074 open claims under the retroactive, remedial, and innocent landowner programs with a total projected State cleanup expense of $252.0 million (projection made in July 1997). The total projected cleanup amount fluctuates over time, as sites are investigated and cleanup standards are determined and enforced. The State has expended $102.7 million through FY 1997, leaving $149.3 million in projected State-funded cleanup to be completed.

**Fund Balances** The Underground Storage Tank Program is composed of nine separate funds under control of the State Treasurer. The nine funds had a combined cash balance at the end of December 1997 of $163.4 million. The revenue sources, allowed expenditures, and purposes of the Funds are described below.

* The Revenue Fund receives an annual Use Tax allocation of $17.0 million, the per-tank fee, and interest on its own balance as well as the balances in the Capital Reserve and Remedial Fund. The funds are used to make semi-annual bond payments. Any excess funds are transferred to the Unassigned Revenue Fund.
* The Capital Reserve Fund is a reserve fund required by bond documents to be maintained in the event of a revenue shortfall. The funds will be released to pay the final bond payments. The Fund was capitalized by a transfer from the Revenue Fund and is annually adjusted to comply with bond requirements.
* The Unassigned Revenue Fund receives transfers of excess funds from the Revenue Fund as well as interest on the Unassigned Revenue Fund balance. The money in the Fund can be used for any lawful purpose and is currently used to pay administrative expenses.
* The Remedial Fund receives the proceeds of bond sales. The money is used to pay remedial claims from persons qualified under the regular UST Remedial Program. Because bond proceeds have been exhausted and the UST Board does not anticipate future bond sales will be necessary, remedial payments in the future will be made from the Marketability, Remedial (Old) Fund or Unassigned Revenue Funds.
* The Remedial (Old) Fund currently receives fee revenue. The Fund received Environmental Offset and Cost Recovery receipts in previous years. The Board has begun to use the Fund to pay regular remedial claims.
* The Marketability Fund receives an annual allocation of Use Tax proceeds and interest on the Fund balance. The money is used to pay remedial claims from persons qualified under the regular UST Remedial Program. The Fund cannot be used for bonding.
* The Innocent Landowner Fund receives an annual allocation of Use Tax receipts, costs recovered from other responsible parties (large oil companies), and interest on the Fund balance. The money is used to pay remedial claims from persons who do not qualify under the regular UST Remedial Program, but do qualify under rules established by the UST Board.
* The Insurance Fund receives insurance policy premiums for tank sites, tank installers and inspectors, and property transfers. The Fund also retains its interest. The money is used to pay current and future remedial claims covered by the policies. The Fund is also used for insurance program administration. The majority of the fund revenue and current balance is from tank site insurance policies.
* The Loan Fund holds money in reserve to pay any losses resulting from the UST Board’s guarantee of 48 loans. The Fund was capitalized by a transfer from the Revenue Fund. The Fund retains its interest.

|  |
| --- |
| **UST Program Fund Balances** |
|  |  |  |  |  |  |
|  |  | FY 1998 |  | December  |  |
| UST Fund |  | Beginning Balance |  | FY 1998 Balance |  |
| Revenue |  | $ 7,170,997 |  | $ 9,039,113 |  |
| Capital Reserve |  | 9,699,020 |  | 9,637,050 |  |
| Unassigned Revenue |  | 87,275,146 |  | 89,014,219 |  |
| Remedial |  | 1,288,307 |  | 127,254 |  |
| Remedial (Old) |  | 2,524,858 |  | 2,578,168 |  |
| Marketability |  | 8,214,051 |  | 11,225,903 |  |
| Innocent Landowners |  | 11,147,154 |  | 14,486,209 |  |
| Insurance |  | 23,507,340 |  | 25,559,499 |  |
| Loan reserve |  | 1,697,899 |  | 1,740,229 |  |
| Total |  | $ 152,524,772 |  | $ 163,407,644 |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

STAFF CONTACT: Jeff Robinson (Ext. 14614)

State Board of Education Meeting

**Board Meeting** The State Board of Education met in Des Moines February 12 and 13. Significant agenda items included:



* Presentation by the School Administrators of Iowa. The group updated the Board on current activities and focused on the administrator shortage and leadership development activities. Two publications entitled “The School Administrator Shortage: Leadership in Crisis” and “Opportunities in School Administration” were distributed to Board members.
* Community College Update - The Community College Funding Formula Task Force has completed its work and submitted a final report to the Board. The report has also been distributed to members of the Education Appropriations Subcommittee of the General Assembly. Trends regarding community colleges were highlighted.
* Legislative update.
* Agency Report: School Community Collaboration for a Comprehensive, Integrated System Focused on School-to-Work. The Board was provided with handouts explaining frequently asked questions about the program and a strategic plan initiative agreement.
* Demonstration of a CD-ROM program being developed regarding school improvement.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Highway Construction Contracts

**Construction Contracts** The Department of Transportation notifies the Legislative Fiscal Bureau of all highway construction contracts in excess of $5.0 million for informational purposes. The Department has submitted four contracts totaling $38.9 million entered into during January. The contracts are summarized below.

Highway

Construction

**Cerro Gordo County** A $12.4 million contract was awarded to the Fred Carlson Company, Inc., of Decorah for the following projects located in Cerro Gordo County:





* $8.6 million for the replacement of 6.0 miles of pavement on relocated U.S. Highway 18 from the west side of I-35 to just west of U.S. Highway 65.
* $856,000 for grading and replacement of 1.6 miles of pavement on relocated U.S. Highway 18 on Eisenhower Avenue in Mason City.
* $26,000 for culvert replacement on U.S. Highway 18 (Eisenhower Avenue) in Mason City.
* $2.9 million for the replacement of 1.6 miles of pavement on relocated U.S. Highway 18 from the Union Pacific Railroad to just east of U.S. Highway 65.

**Jasper County** A $7.4 million contract was awarded to the Flynn Company, Inc., of Dubuque for grading and the replacement of 5.2 miles of pavement in Jasper County on relocated Iowa Highway 163 from existing Iowa Highway 163 south of Monroe to the Marion County line.

**Polk County** A $6.3 million contract was awarded to the McAninch Corporation of Des Moines for 1.0 mile of grading and new pavement on relocated U.S. Highway 6 in Polk County from Woodlands Parkway in Clive to just west of I-35.



**Carroll & Crawford County** A $12.8 million contract was awarded to the Brower Construction Company of Sioux City for the following projects:

* $5.7 million for 6.2 miles of new pavement on U.S. Highway 30 in Carroll County from Park Street in the City of Westside to the west city limits of Carroll.
* $7.1 million to resurface 10.0 miles on U.S. Highway 30 in Crawford County from County Road M36 in Denison to the east city limits of Westside.

STAFF CONTACT: David Reynolds (Ext. 16934)

Weekly Medical Assistance Expenditures in the Department of Human Services



**Medical Asst. Program** For the week ending February 9, 1998, FY 1998 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $7.4 million (95.3% of budget). This is $365,000 below the weekly budget established by the Department. Year-to-date Medical Assistance General Fund expenditures are $207.5 million, $5.1 million (2.4%) above the amount budgeted for the fiscal year-to-date.

**Provider Expend. Category** The explanation for the expenditures over budget is found in the Provider expenditure category, which is $8.2 million over budget for the fiscal year-to-date. The LFB staff has asked the DHS staff for an explanation of over-budget expenditures in the Provider category and an estimate of FY 1998 total expenditures. The DHS is concerned about the financial impact of the flu season, but still anticipates some small, but at this time unquantifiable, reversion of Medical Assistance funds at the close of FY 1998. When the DHS provides an explanation and estimated FY 1998 reversions, the LFB staff will notify members of the General Assembly. The potential fiscal impact of higher than anticipated Medical Assistance expenditures would limit the Governor’s proposed funding of technology initiatives with FY 1998 year-end reversions.

**Expenditures Monitored** The LFB will continue to monitor Medical Assistance Program expenditures and will provide regular updates to members of the General Assembly. More information is available from the Fiscal Bureau.



STAFF CONTACT: Margaret Buckton (Ext. 17942)