FISCAL UPDATE March 30, 1998

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

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Ways and Means Actions for the Week of March 23



**SF 2364 - Sales Tax Exempt.** On March 23, the House Ways and Means Committee passed SF 2364, an Act relating to the sales, services, and use taxes exemption for the sales of food and beverages for human consumption by certain organizations. The Bill provides an exemption from sales and use taxes on sales of food and beverages by nonprofit organizations if they are not subject to federal income tax and have a primary purpose of promoting a food or beverage product for human consumption produced, grown, or raised in the State.

 The Bill is effective upon enactment and applies retroactively to July 1, 1988. Refunds are allowed, but only to a maximum of $25,000. Refunds must be applied for by October 1, 1998. If refunds applied for are greater than $25,000, then refunds shall be prorated. The overall fiscal impact of the Bill is expected to be less than $50,000 annually.



**HF 209 - Sales Tax Exempt.** On March 25, the House Ways and Means Committee amended and passed HF 209, Sales Tax on Purchases by Rental Companies. The Bill exempts from the sales and use tax, purchases by companies which are regularly engaged in the business of renting. Sales tax would still be required to be collected when such a product is rented and also upon the sale of the property when it is disposed of by the rental company. The fiscal impact of the Bill is expected to be approximately $609,000 each year.



**SF 2288 - Sales Tax Exempt.** On March 23, the House passed SF 2288, Sales Tax on Machinery and Equipment. The Bill amends the statute which exempts sales of certain industrial machinery, equipment, computers, fuel, and electricity from the State sales and use tax. It expands the exemption allowed to sales of fuel and electricity used in computers, machinery, and equipment.

 The Bill provides that sales of vehicles subject to registration are not exempt machinery and equipment sales unless the vehicles are directly and primarily used in recycling or reprocessing of waste products. The Bill also exempts machinery and equipment used by a business involved in quarrying or mining after the extraction of the materials. Finally, the Bill provides that computer software maintenance or support contracts be taxed on 50.0% of the purchase price of the contract.

**Fiscal Impact** Senate File 2288 will reduce General Fund sales tax revenue by approximately $1.0 million each year starting in FY 1999, of which $230,000 is due to the quarrying or mining provision and $806,000 is due to the computer software maintenance and support contract provision. All other provisions of the Bill are effective upon enactment and are not expected to have a fiscal impact. The Bill has been sent to the Governor for his consideration.



**HF 2153 - Public Pensions** On March 23, the Senate 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.



**HF 2282 - Local Option Tax** On March 26, the Senate Ways and Means Committee passed HF 2282, Local Option Tax for Schools. The Bill permits an additional 1.0% county-wide local option tax for school infrastructure. Funds would be distributed to school districts based on the number of children in each district within a county to the overall number of school children in the county. Funds may be expended solely for school infrastructure needs, including repayment of bonds previously issued for infrastructure needs. The Bill also contains the allocation of a one-time $8.0 million grant of federal funds for establishing a school infrastructure safety fund. The funds are allocated to the School Budget Review Committee, which is to allocate the funds to schools in conjunction with the State Fire Marshal based upon criteria specified in the Bill.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Status of Appropriations Bills



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| **Appropriations Subcommittee Bills** |
| **Appropriations Subcommittee** |  | **LSB/File #** |  | **Status** |
| Admin./Regulation |  | HF 2498 |  | Passed House Approps. on Feb. 25. |
| Ag./Natural Resources |  | SF 2295  |  | Amended & Passed the House on March 24. |
| Economic Development |  | SF 2296 |  | Passed House Approps. on March 25.  |
| Education |  | HF 2533 |  | Passed House Approps. on March 4. |
| Health/Human  Rights |  | SF 2280 |  | Passed the Senate on March 25. |
| Human Services |  | SF 2410 |  | Passed Senate Approps. on March 24. |
| Justice System |  | HF 2539 |  | Passed House Approps. on March 23. |
| **Appropriations Subcommittee Bills** |
| **Appropriations Subcommittee** |  | **LSB/File #** |  | **Status** |
| Oversight & Comm. |  | LSB 3181JA |  | Joint Subcommittee passed bill on March 2. In Senate Approps. |
| Trans., Infrastruc-ture, & Capitals |  | HF 2499SF 2381 |  | Transportation Appropriations Bill sent to Governor on March 23. Infrastructure Bill passed Senate on March 11. |
| **Other Appropriations Bills** |
| **Subject** |  | **File #** |  | **Status** |
| On-Time Funding $4 mil GF |  | HF 2130 |  | Passed House Educ. In House Approps. |
| Oil Overcharge |  | HF 2210 |  | Passed Senate Approps. on Feb. 24. |
| Fed. Block Grant  |  | HF 2218 |  | Signed by the Governor March 23. |
| Obsolete & Unnecessary Provisions of the Code |  | HF 2271 |  | Passed Senate State Government Committee on March 19. |
| FY 1998 Supplemental Appropriations |  | HF 2395 |  | Passed House on March 2. In Senate Approps. |
| Early Childhood Imperatives Program $9 mil GF |  | HF 2458 |  | Passed House Education Standing Committee on Feb. 24. In House Approps. |
| School Ready Grant Program - House Bill |  | HF 2500 |  | Passed House Education Standing Committee. In House Approps. |
| Teacher Certification/Teacher Induction  |  | HF 2501 |  | Passed House Education Standing Committee. In House Approps. |
| K-3 Funding $7 mil GF |  | SF 2193 |  | On Senate Calendar. |
| Mentoring $180,000 GF |  | SF 2215 |  | Passed Senate Educ. Standing Committee. On Senate Calendar. |
| Education Reform $12.02 mil GF |  | SF 2366 |  | Passed the House on March 26.  |
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| **Other Appropriations Bills** |
| **Subject** |  | **File #** |  | **Status** |
| School Ready Grant Program - Senate Bill $5.2 mil GF |  | SF 2406 |  | Passed House Education Standing Committee on March 17. |

STAFF CONTACT: Holly Lyons (Ext. 17845)

Agriculture and Natural Resources Appropriations Bill - SF 2295 - Passes House



**SF 2295 - Ag/Natl. Res.** Senate File 2295, the Agriculture and Natural Resources Appropriations Bill, passed the House as amended by S-5365 on March 24. The Bill appropriates $50.2 million from the General Fund and 1,078.0 FTE positions for FY 1999. This is an increase of $1.3 million and 12.0 FTE positions compared to the estimated FY 1998 appropriation.

**Changes by the House** Major changes to the Bill include:

* Increases the appropriation to the Division of Soil Conservation in the Department of Agriculture and Land Stewardship by $280,000 and 6.0 FTE positions. Decreases the appropriation to the Energy and Geological Resources Division by $76,000 and 2.0 FTE positions and decreases the appropriation to the Environmental Protection Division by $204,000 and 4.0 FTE positions in the Department of Natural Resources. Requires an agreement between the Department of Natural Resources and the Department of Agriculture and Land Stewardship to cooperate in the process of reviewing and approving construction permits for the construction of structures on animal confinement operations.
* Allocates $15,000 from the Water Quality Protection Fund to the Lewis and Clark Rural Water System.
* Eliminates the $400,000 transfer from the Water Protection Fund to the Loess Hills Development and Conservation Authority.
* Increases the amount transferred from the Boat Registration Fund to the Fish and Game Protection Fund by $30,000 for the creation of the Water Safety Program. The increase is conditional upon enactment of SF 429, Regulation of Watercraft.
* Requires any funds not used during FY 1999 for appointed, nonelected salaries, from the funds appropriated to the Department of Agriculture and Land Stewardship and the Department of Natural Resources, be transferred to the Soil Conservation Cost Share Program. These funds will be reallocated to the County Soil and Water Conservation Districts.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the Legislative Fiscal Bureau.

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

Economic Development Appropriations Bill - sf 2296

**SF 2296 - Economic Devel.** The House Appropriations Committee amended and passed SF 2296, the Economic Development Appropriations Bill, on March 25. The Bill appropriates $40.9 million and 1,289.5 FTE positions to the Department of Economic Development, Department of Workforce Development, Public Employment Relations Board, and seven Board of Regents programs. This is an increase of $1.3 million (3.4%) and 18.3 (1.4%) FTE positions compared to estimated FY 1998. The Governor recommended $41.1 million and 1,273.5 FTE positions.

**House Approp. Committee** The House Appropriations Committee amendment:

1. Changes the distribution of Iowa Seed Capital Corporation assets upon the June 30, 1998, Corporation sunset.
2. Requires changes to the Iowa Housing Corporation Board and requires the Corporation to report to the General Assembly, undergo an audit by the Auditor of State, and adopt a conflict of interest policy.
3. Appropriates a total of $11,000 from the Strategic Investment Fund to the Iowa Housing Corporation and Auditor of State.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

senate passes sF 2280 - Health and Human Rights Appropriations Bill



**SF 2280 - Health & HR** The Senate passed SF 2280, Health and Human Rights Appropriations Bill, on March 25. The Bill appropriates $89.2 million and 1,337.6 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 $1.3 million (1.5%) and 7.7 (0.6%) FTE positions compared to the estimated FY 1998 appropriation, and an increase of $144,000 (0.2%) and 8.8 (0.7%) FTE positions compared to the Governor’s recommendation.

**Senate Amendment** Amendments were adopted by the Senate which do the following:

* Require the Department of Public Health to establish a task force to evaluate current infectious disease laws in the State.
* Require the Department of Public Health to develop and maintain the statewide Perinatal Program in accordance with recommendations of the American Academy of Pediatrics and the American College of Obstetricians and Gynecologists.
* Require the Department of Public Health to establish a Domestic Abuse Death Review Team. Specifies that the membership, authority, and operation of the Team shall be patterned after the Child Death Review Team.
* Require the Department of Public Health to apply for available federal funding for sexual education programs which exclusively instruct sexual abstinence.



* Require the Department of Public Health to conduct an evaluation of the Gambling Treatment Program.
* Require an allocation of $250,000 of the Community Grant Fund to the Youth Leadership Program of the Sixth Judicial District - Community Corrections Improvement Association in Cedar Rapids.
* Specify that funds remaining in the Gambling Treatment Fund at the end of FY 1998 and funds deposited into the Fund in excess of $1.7 million during FY 1999 be appropriated to the Department of Public Health and allocated as follows:
* $150,000 to the Iowa Law Enforcement Academy for the Drug Abuse Resistance Education Program (DARE).
* $350,000 to the Department of Public Health for core public health functions of local boards of health.
* $200,000 to the Department of Public Health for the Public Health Nursing Program.
* $78,000 to the Department of Public Health for training of emergency medical services personnel.
* $240,000 to the Department of Elder Affairs to establish a long-term care residents' advocate project.
* $70,000 to the Department of Public Safety for training of state and local law enforcement personnel regarding recognition of and response to persons with Alzheimer's.
* $10,000 to the Commission on the Status of African Americans for workshops.
* Require the Legislative Fiscal Committee to review the operations of the Gambling Treatment Fund and submit a report to the General Assembly.
* Limit deposits into the Gambling Treatment Fund to $1.7 million annually. Funds in excess of $1.7 million which would have otherwise gone to the Gambling Treatment Fund would be appropriated to the Department of Public Health.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

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

Senate Appropriations Committee Passes SF 2410 - Human Services Appropriations Bill



**SF 2410 - Human Services** Senate File 2410, the Human Services Appropriations Bill, was passed by the Senate Appropriations Committee as amended on March 24. The Bill appropriates $726.2 million from the General Fund and 5,451.2 FTE positions for FY 1999. This is a decrease of $9.6 million and an increase of 90.7 FTE positions compared to the estimated FY 1998 appropriation.

**Senate Approp. Committee** Major changes made by the Senate Appropriations Committee include:

* Decreases the appropriation to the Department of Human Services (DHS) by $230,000 to reduce salary annualization appropriations to various departments.
* Permits the DHS to include coverage for mental illness State cases in a managed behavioral health care Request for Proposals (RFP).
* Requires the DHS to establish a task force to evaluate drug prior authorization and prospective drug utilization review.
* Requires DHS child care program administrators to develop a proposal for implementing a seamless child care system.
* Requires the DHS to review reimbursement for home infusion therapy and submit a report to the General Assembly by January 1, 1999.
* Requires that license suspension fines collected by the Department of Transportation continue to be transferred to the DHS for Juvenile Detention and Court Ordered Services for Juveniles.



* Specifies that Family Investment Program (FIP) Limited Benefit Plans require a family’s significant action to reapply for FIP benefits, eliminates the waiting period for reapplication to the FIP after the first Limited Benefit Plan for different categories of families, allows reconsideration of a Limited Benefit Plan, requires well-being visits after the second or subsequent Limited Benefit Plan, and modifies the appeal process based on these changes.
* Expands Medicaid income eligibility to children ages 15 through 18 to 133.0% of the federal poverty level.
* Specifies that the Bill section pertaining to Limited Benefit Plans for FIP recipients, is effective upon enactment and retroactively applicable to January 1, 1998.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

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

Justice System Appropriations Bill Passes House Appropriations



**HF 2539 - Justice System**  The Justice System Appropriations Bill, HF 2539, was amended and passed by the House Appropriations Committee on March 23. The Bill makes appropriations to the Departments of Justice, Corrections, Inspections and Appeals, Public Defense, and Public Safety, and to the Parole Board, the Judicial Department, and the Iowa Law Enforcement Academy. The Bill appropriates $418.5 million from the General Fund and 7,529.5 FTE positions. This is an increase of $27.9 million (27.2%) and 348.0 (4.9%) FTE positions compared to estimated FY 1998.

**House Approp. Committee** The changes to the Bill made by the House Appropriations Committee are:

* Adjustments for varying estimates of salary annualization and for converting contract employees to full-time employees.
* A requirement that the Department of Corrections report to the Justice System Appropriations Subcommittee chairpersons and ranking members at least 21 days before leasing space to a private business for the employment of prison inmates.
* A requirement that the Department of Corrections report to the Justice System Appropriations Subcommittee concerning the inmate employment and revenues from the Pay-for-Stay Program.
* An increase of $50,000 for the Drug Abuse Resistance Education (DARE) Program, for a total appropriation of $80,000.
* A decrease of $50,000 for the DNA Profiling Unit in the Department of Public Safety, for a total appropriation of $435,000.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

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

Senate Passes the Transportation Appropriations Bill - HF 2499



**HF 2499 - Transportation**  The Senate passed the Transportation Appropriations Bill, HF 2499, with no amendments on March 23, which sends the Bill to the Governor for his consideration. The Bill appropriates a total of $249.3 million for the Department of Transportation (DOT) operations and DOT capital projects. The Bill includes appropriations from the following funding sources: $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 is an increase of $4.0 million (1.6%) compared to estimated FY 1998.

STAFF CONTACT: David Reynolds (Ext. 16934)

Education Reform Bill - SF 2366 passes the House

**SF 2366 - Education Reform** The House amended and passed SF 2366, Education Reform Bill, on March 26. The amendment strikes everything after the enacting clause. The House Education Committee amendment and the House Appropriations Committee amendment were withdrawn. The Bill as amended:

**Frontier School** Establishes frontier schools.



* Appropriates $1.5 million from the General Fund for FY 1999 for frontier school or extended-year school grants.
* Requires $300,000 of the appropriation to provide $50,000 grants to six school districts for extended-year school pilot projects. Also requires the Department of Education to spend up to $75,000 to conduct a study of the effectiveness of extended school years on student achievement.
* Specifies that a frontier school is a public school. Also states the focus of the frontier school is to provide a comprehensive program of instruction for at least one grade or age group from five through eighteen years of age. Allows frontier schools to have significant autonomy. However, frontier schools are required to be accountable for significant results.
* Exempts a frontier school from all statutes and rules applicable, including collective bargaining, except for certain provisions. Allows the Department of Education, Auditor of State, or the Legislative Fiscal Bureau to conduct financial, program, or compliance audits.

**Para-education Licensing** Establishes para-educator licensing system.



* Appropriates $75,000 from the General Fund for FY 1999 to the Board of Educational Examiners to develop and implement a multi-level voluntary para-educator licensing system.
* Defines para-educator as a person who is licensed to assist a teacher in the performance of instructional tasks to support and assist classroom instruction and related school activities.

**Empowerment Fund** Appropriates $5.2 million from the General Fund for FY 1999 for the Iowa Empowerment Fund, if the creation of the Iowa Empowerment Board and Iowa Empowerment Fund is enacted.

**Teacher Certification** Establishes a National Board Certification award.

* Appropriates $250,000 from the General Fund for FY 1999 for the National Board for Professional Teaching Standards Certification Fund.
* Specifies a teacher is eligible for a partial registration award in the amount of one-half of the registration fee and a final registration award for the remaining registration fee upon notification of certification achievement. A teacher is also eligible for a $10,000 five-year annual award for achieving certification.

**Beginning Teacher Program** Establishes a Beginning Teacher Induction Program.

* Appropriates $240,000 from the General Fund for FY 1999 for beginning teacher induction program grants.
* Specifies it is the intent of the General Assembly that the appropriation provide support to a minimum of 133 teams of mentors and beginning teachers.
* Specifies a mentor is eligible for an award of $500 per semester.

**Practitioner Perf. Improv.** Establishes a Practitioner Performance Improvement Program.

* Appropriates $300,000 from the General Fund for FY 1999 for the Practitioner Performance Improvement Program.
* Requires the Department of Education to establish and implement a voluntary practitioner performance improvement program in consultation with the Iowa State Education Association, the Iowa Association of School Boards, the School Administrators of Iowa, the Professional Educators of Iowa, and other entities.

**Leadership Pilot** Establishes an Instructional Leadership Pilot Program.

* Appropriates $1.0 million from the General Fund for FY 1999 for the establishment and implementation of an Instructional Leadership Pilot Program.
* Requires the Department of Education to develop and distribute to school districts a weighting system for criteria evaluation in making awards to practitioners that ranks the criteria in a specified priority. Allows a school district to provide additional weighted criteria.
* Requires an individual to submit a specified form that must be completed by the practitioner, one colleague, one administrator, and three parents and forward the form to the local school district coordinator.
* Repeals the Instructional Leadership Pilot Program on July 1, 2003.

**Practitioner Preparation** Changes the practitioner preparation so institutions must demonstrate that each student successfully completed a specific list of criteria. Also adds to the criteria, preparation of at-risk students, and learning techniques, including reading instruction in phonics.

**Teacher Internship** Establishes a Teacher Internship Pilot Program.



* Requires the Department of Education to establish and implement a competitive pilot program open to Iowa colleges and universities with Masters Programs in practitioner preparation by November 1, 1998.
* Requires the institution to submit to the Department of Education a plan for an internship program, which must include specific items.
* Requires student interns to receive graduate credit. Also requires the one-year internship to be recognized as the equivalent of one year of teaching experience.
* Requires a teacher who acts as a clinical supervisor be eligible for a stipend of $1,000 per semester.
* Creates a new General Fund standing appropriation of $220,000 in FY 1999 and $575,000 in FY 2000 and FY 2001 for the teacher internship pilot program.

**Early Education Improv.** Establishes an Early Education Improvement Program.



* Creates a new General Fund standing appropriation of $9.0 million for the Early Education Improvement Program.
* Distributes the funding to school districts on a per pupil basis, but a school district will not receive less than $7,500.
* Requires school districts to provide assurance that the districts have developed, or are developing, an early childhood education plan, and that the funding will be used in accordance with the plan before receiving funding.
* Repeals the Early Childhood Education Improvement Program on July 1, 2001, except for the reporting requirements, which are repealed January 1, 2002.

**On-time Funding** Provides on-time funding for new students.



* Allows school districts to submit a request to the School Budget Review Committee for on-time funding, if the district’s actual enrollment exceeds its budget enrollment.
* Requires the School Budget Review Committee to consider the relative increase in enrollment on a district-by-district basis in determining whether to approve the request.
* Requires the on-time funding to be one-third of the State cost per pupil times the new pupils, if the request is approved.
* Allows a school district to request additional property taxes, if need exists for additional funds for on-time funding.
* Creates a new General Fund standing appropriation beginning in FY 2000 for $4.0 million for on-time funding.
* Creates a new contingent General Fund appropriation in FY 1999 for up to $4.0 million for on-time funding. The appropriation is contingent upon actual property tax valuation being higher than estimated for calculations of the school aid formula.
* This Section is repealed on July 1, 2001.

**Budget Guarantee** Establishes a 100.0% and 101.0% Budget Guarantee for FY 2000.



* Extends the 100.0% regular program budget guarantee to FY 2000. Using projected FY 2000 enrollment, the budget guarantee is estimated to impact 84 school districts at a cost of $6.2 million in FY 2000. The 100.0% regular program budget guarantee is all property taxes.
* Adds a 101.0% regular program budget guarantee for FY 2000. The difference between the 101.0% budget guarantee and the 100.0% budget guarantee is paid by State aid. Using projected FY 2000 enrollment, the 101.0% guarantee is estimated to impact 119 school districts at a cost of $2.4 million in FY 2000.

**Instructional Support** Increases the Instructional Support General Fund appropriation by $2.0 million in FY 2000. The Instructional Support appropriation was frozen at the FY 1993 funding level, causing a $12.2 million shortfall in State aid in FY 1998.

**Teacher Termination** Requires a teacher to bring any challenge to an evaluation to only the termination hearing before the school board, if the challenge is brought after a termination notice.

**Probationary Period** Changes the probationary period for a teacher from two to three years.

**Retirement Incentive** Allows school boards to extend retirement incentives to employees between age 55 and 59. Also allows school boards to include the total estimated accumulated cost of retirement incentives in the Management Levy. This will save an estimated $5.1 million to school districts’ General Fund budget and increase the Management Levy (property taxes) up to $5.1 million.

**Achievement Goals** Requires a school board to include in the district’s student achievement goals a goal of addressing the educational inequities among Iowa’s minority students and develop plans for improving minority student academic performance.

**Minimum Teacher Salary** Increases the minimum teacher salary.

* Increases the minimum teacher salary from $18,000 to $23,000.
* Increases the educational excellence standing appropriation by $1.9 million for Phase I (minimum teacher salaries). In addition, $490,000 of excess Phase I funds will be used to fund the increase in the minimum salary for a total cost of $2.4 million.

**NOBA**

**Bill Summary** Copies of the Executive Summary on the Notes on Bills and Amendments (NOBA) are available from the Legislative Fiscal Bureau.

STAFF CONTACT: Jon Studer (Ext. 17799)

HF 2471 - Number of Justices passes the Senate



**HF 2471 - Court Justices** House File 2471 passed the Senate on March 23. The Bill changes the number of Supreme Court Justices from nine to seven, and the number of Court of Appeals Judges from six to nine. It is estimated that the Bill will increase expenditures for the Judicial Department by $359,000 in FY 2000 and decrease expenditures by $208,000 for FY 2001.

STAFF CONTACT: Darlene Kruse (Ext. 16301)

Senate Passes Electronic Benefits Transfer Bill - HF 2468

**HF 2468 - Electronic Benefits** On March 26, the Senate passed HF 2468, the Electronic Benefits Transfer Bill, without amendment, which establishes an Electronic Benefits Transfer Program (EBT) and provides benefits, including food stamps, to eligible individuals through the use of an EBT card, similar to a “Shazam” or cash station card at retailers. The Bill next goes to the Governor for his consideration.

**Transaction Fee** There are approximately 419,000 food stamp transactions monthly in the State of Iowa, for an estimated total of $114.6 million in food expenditures in FY 1998. House File 2468 includes a $0.15 transaction fee paid to retailers providing electronic funds transfer equipment, or provides equipment for retailers participating in food stamp redemption without equipment. (A retailer with State-provided equipment does not qualify for the $0.15 transaction fee.) A pilot project in Linn County has provided EBT cards to recipients, with approximately 85.0% of transactions occurring on retailer-owned equipment. With the additional cost per transaction of $0.15, the total estimated annual cost of EBT statewide is approximately $641,000. The $0.15 transaction fee is the difference between current food stamps administrative costs experienced by retailers and retailers’ estimates of administrative costs of handling electronic benefits transfers. According to data compiled by the U. S. Department of Agriculture, of the 28 states with operative EBT programs, 19 do not pay a retailer transaction fee. Of the seven paying a fee, the highest transaction fee is $0.05 per transaction. Federal funds for food stamps administration will cover 40.0% of the costs, resulting in an estimated net State funding obligation of $192,000 in FY 1999 and $385,000 in FY 2000 (the EBT program is scheduled to be phased into effect January 1, 1999, with only six months of cost realized in the first year of operation).



**RFP On Hold** Costs for providing equipment to retailers forgoing the transaction fee and requiring equipment are included in the Department of Human Services budget for FY 1999. State funds of $193,000, combined with a federal contribution, fund a contract for equipment, training of retailers and recipients, maintenance of equipment, and staff to verify benefits if retailers experience any equipment failures. The Bill does not specify a mechanism for paying transaction fees to retailers. The Request for Proposals (RFP) for the equipment and training contractor could be altered to include a payment and transaction verification mechanism. The RFP for provision of equipment is currently on hold pending the outcome of this legislation.

**EBT Reduces Fraud** An EBT system is likely to reduce fraud associated with food stamps, including black market sales of food stamps for cash or attempts to maximize change back from food stamps to spend on nonfood items. Savings from reductions in fraud would have no effect on State expenditures, but would insure proper use of food stamps and potential savings to the federal government.

STAFF CONTACT: Margaret Buckton (Ext. 17942)

Road USe Tax Fund Revenues



**Receipts** Road Use Tax Fund receipts through March are $18.5 million (2.8%) higher than the same period a year ago. Of the $18.5 million increase, $17.3 million is attributed to increased Motor Vehicle Use Tax collections and fees collected relating to the issuance of vehicle registrations and certificates of title.



**Car and Truck Sales** Year-to-date Motor Vehicle Use Tax receipts are up $7.8 million (7.0%) compared to the same period for FY 1997. The increase in these receipts is primarily attributed to the increase in car and truck sales in Iowa. The most recent information available shows that for the first six months of FY 1998, sales were 12.2% higher than the same period of FY 1997.

**Registration & Title Fees** Registration and title fees have increased $9.5 million (4.4%) compared to the same period for FY 1997. The increase in vehicle registration fees is largely attributed to the increase in the price of vehicles being registered. This also corresponds with the increase in new car and truck sales being experienced this fiscal year.

**Fuel Tax Revenues** Motor Vehicle Fuel Tax revenues experienced an increase of $3.0 million (1.0%) compared to the same period for FY 1997.

Driver’s License

**Driver’s License** Driver’s License Fees are down $2.9 million (31.9%) compared to the same six-month period in FY 1997. This decrease is due to the normal license issuance cycle. Total driver’s license receipts for FY 1998 are estimated to be approximately $5.0 million (40.0%) less than FY 1997, due to fewer anticipated license renewals. Changes in other revenue sources were relatively insignificant.

 The following table compares the Road Use Tax Fund receipts for the first seven months of FY 1997 and FY 1998 by revenue source. Totals may not add due to rounding.

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| **ROAD USE TAX FUND RECEIPTS** |
| **(Dollars in Millions)** |
| July - March |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | Increase/ |  | Percent |
|  |  |  | FY 1997 |  | FY 1998 |  | Decrease |  | Change |
| Motor Vehicle Use Tax |  | $ 111.7 |  | $ 119.5 |  | $ 7.8 |  | 7.0% |
| Motor Vehicle Fuel Tax |  | 290.2 |  | 293.3 |  | 3.0 |  | 1.0% |
| Registration/Title Fees & Misc. |  | 214.6 |  | 224.1 |  | 9.5 |  | 4.4% |
| Underground Tank Fees |  | 14.3 |  | 14.6 |  | 0.3 |  | 2.2% |
| Driver’s License Fees |  | 9.2 |  | 6.3 |  | -2.9 |  | -31.9% |
| Interest |  | 8.7 |  | 9.5 |  | 0.8 |  | 8.9% |
| Other Fees |  | 4.8 |  | 4.0 |  | -0.8 |  | -16.9% |
| Motor Carrier Fines |  | 0.0 |  | 0.8 |  | 0.8 |  |  |
|  |  |  |  |  |  |  |  |  |  |
| TOTAL RECEIPTS |  | $ 653.7 |  | $ 672.1 |  | $ 18.5 |  | 2.8% |

 *Note: For Road Use Tax Fund reporting, receipts are considered in the month for which they are distributed by formula rather than the month in which they are collected. For example, September revenues were collected in August but distributed to the various State and local road funds in September.*

STAFF CONTACT: David Reynolds (Ext. 16934)

Highway Construction Contracts



Highway

Construction



**DOT Construction Contract** 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 $24.8 million entered into during March. The contracts are summarized below.

**Floyd County** A $7.0 million contract was awarded to Fred Carlson Company, Inc., of Decorah for 9.1 miles of new pavement on U.S. 18 from just east of Rudd to south of County road B35, northwest of Charles City.

**Jackson County** A $5.2 million contract was awarded to the McCarthy Bush Corporation of Davenport for 3.3 miles of new pavement from just south of Maquoketa to Hurstville.

**Jasper County** A $6.3 million contract was awarded to the Irving Jensen Company, Inc., of Sioux City for 4.6 miles of new pavement from one mile west of Prairie City to two miles east of Prairie City.



**Pottawattamie County** A $6.2 million contract was awarded to Henningsen Construction, Inc., of Atlantic for the resurfacing of 9.7 miles of pavement on Interstate 680 in Pottawattamie County.

STAFF CONTACT: David Reynolds (Ext. 16934)

Iowa Communications Network (ICN) Site Update



**ICN Sites Added** The ICN added three additional interactive video classrooms during the last half of March at English Valley High School in North English, Four Oaks Educational Center in Cedar Rapids, and Jones County Courthouse. The table below presents the current distribution of sites by type of authorized user.

**IOWA COMMUNICATIONS NETWORK**

# Full-Motion Interactive Video Classrooms

|  |  |
| --- | --- |
| Area Education Agencies | 16 |
| Community Colleges | 88 |
| K-12 School Districts | 281 |
| Other Education | 2 |
| Libraries | 9 |
| Medical Facilities | 8 |
| Private Colleges | 14 |
| Regents Institutions | 24 |
| National Guard | 57 |
| State Agencies | 37 |
| Federal | 10 |
| Miscellaneous | 3 |
| Classrooms Total | 549 |

**More Information** This information is updated weekly and is available on the Internet at **http://www.icn.state.ia.us/icn/html/map\_form.htm.** If you would like a copy of the full list of sites and do not have access to the Internet, you may contact the LFB and request a copy.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Two Underground Storage Tank Bills Sent to Governor

**Storage Tank Bills** The Senate passed HF 2339, Underground Storage Tank Remedial Program Bill, and HF 2490, Underground Storage Tank Insurance Program Bill. Neither Bill was amended and they will now be sent to the Governor for his consideration.

**Remedial Program** House File 2339 increases benefits to current claimants by:



* Limiting the co-payment required to $14,400 per site. The fiscal impact is estimated to be $24.2 million.
* Extending full remedial benefits to sites reporting contamination between January 1, 1984, and May 5, 1989 (retroactive claims). The fiscal impact is projected to be $5.8 million.
* Establishing a $10.0 million No Further Action Fund to be available when the Department of Natural Resources issues a No Further Action letter on sites meeting defined cleanup standards. The Fund would be used in instances where further cleanup is later required. There is no fiscal impact of this provision because the State would likely be responsible for the cleanup under current law.

**Insurance Program** House File 2490 restructures the State’s Underground Insurance Program by allowing the present insured population to establish a mutual insurance company which would take over the State Insurance Program by FY 2004. The mutual insurance company would assume all assets and liabilities of the State Program. The fiscal impact is projected to be $27.0 million, which is the amount Program assets are estimated to exceed Program liabilities in FY 2004.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

State Board of Education Meeting



**Board of Education** The State Board of Education met March 19 and 20 at the Holiday Inn-Amana. Significant agenda items included:

* Policy Seminar: Trends and Issues Related to Desegregation. Presenter was Gary Orfield of the Harvard University Center of Desegregation.
* Rule changes for Chapter 64, Iowa Administrative Code, regarding the Child Development Coordinating Council. The most significant proposed rule change will raise income eligibility from 125% of poverty to 130% for the 1998-99 program year. This change will allow service for families who were not eligible in 1997 due to Welfare Reform work requirements.
* Policy Statement on School Administrator Shortage.
* Joint Meeting with area education agency (AEA) Governing Boards Executive Committee and AEA administrators. Topics included:
* Feedback regarding AEA accreditation process.
* Advocacy for AEAs.
* Indicators of Quality.
* Approval of AEA budgets and initial comprehensive plans.

STAFF CONTACT: Mary Shipman (Ext. 14617)

1997 Iowa Youth Risk Behavior Survey



**Results of Survey** The Iowa Department of Education recently released results of a survey of Iowa schools participating in the Youth Risk Behavior Surveillance System. The System was established by the U.S. Centers for Disease Control and Prevention (CDC) to help monitor behaviors that put youth at risk for the most serious health and social problems that can occur during adolescence and adulthood. This survey focuses on students in grades 9 - 12 in Iowa during 1996-97. In Iowa, 40 schools were selected for the sample and 31 of the schools actually participated in the survey. The overall response rate was 70.4%, which exceeded the CDC goal of 60%, and the data were weighted. This means that the results may be generalized to all high school students in Iowa in 1997.

 ***Results of Selected Questions***

 *Behaviors that Lead to Intentional or Unintentional Injuries*:

* 13% of students indicated they never or rarely wore a seat belt when riding in a car driven by another person.
* 73% of students who rode a motorcycle during the past year did not or rarely wore a helmet.
* 40% of students had ridden at least once in the last 30 days in a vehicle driven by someone who had been drinking alcohol.
* 20% of students indicated they had driven a vehicle at least once when they had been drinking alcohol in the last 30 days.
* 19% of students had carried a weapon (gun, knife, or club) on one or more of the past 30 days.
* 9% of students had carried a weapon on school property at least once in the last 30 days.
* 38% had property stolen or deliberately damaged on school property at least once in the last year.
* 33% indicated they were in a physical fight at least once in the last year.
* 23% had seriously considered attempting suicide in the last year.
* 9% had actually attempted suicide at least once during the past year.



 *Tobacco Use*:

* 20% had smoked their first cigarette before age 13.
* 37-38% had smoked cigarettes at least once in the past month.
* 16% smoked cigarettes on school property at least once in the past month.
* 13% had used chewing tobacco or snuff at least once in the past month.

 *Alcohol and Other Drugs*:



* 80% had one or more drinks of alcohol during their lives.
* 50% had at least one drink of alcohol in the last month.
* 37-38% had at least five drinks in a row (considered “binge drinking”) at least once in the past month.
* 33% had used marijuana at least once in their lives.
* 17-18% had used marijuana at least once in the past month.
* 17% had sniffed glue, breathed the contents of aerosol spray cans, or inhaled any paint or spray to get high during their lives.
* 13-14% had used some other type of illegal drug, such as LSD, PCP, ecstasy, mushrooms, speed, ice, or heroin, at least once in their lives.
* 23% were offered, sold, or given an illegal drug on school property during the past year.

 *HIV/AIDS, Other Sexually Transmitted Diseases, and Unintended Pregnancies*:

* 56% had talked about AIDS or HIV with parents or other adult family members.
* 43% had sexual intercourse at some time in their lives.
* 13% had sexual intercourse with four or more people during their lives.
* 33% had sexual intercourse during the past three months.
* 24% of students who had sexual intercourse during the past three months said they drank alcohol or used drugs before their last sexual intercourse.
* 48% of students who had sexual intercourse during the past three months said they (or their partner) had used a condom and 28% said they (or their partner) used birth control pills.

 *Dietary Behaviors*:

* 33% had dieted to lose weight or to keep from gaining weight during the past month.
* 7% took diet pills during the past month.
* 64% drank fruit juice one or more times the day before the survey.
* 50% ate hamburger, hot dogs, or sausage one or more times the day before the survey.

*Physical Inactivity*:

* 67% had exercised or participated in a sports activity for at least 20 minutes on three or more days in the week prior to the survey.
* 31% had walked or bicycled for at least 30 minutes on three or more days in the week prior to the survey.
* 56% exercised or played sports for more than 20 minutes during an average physical education (PE) class.

**More Information** Additional information is available in the report *1997 Iowa YRBS: Youth Risk Behavior Survey*. Contact Sara Peterson at the Iowa Department of Education (281-4804).

STAFF CONTACT: Mary Shipman (Ext. 14617)

Iowa Prison Population





**Prison Population** Iowa’s prison population has continued to grow throughout FY 1998. The system is operating at 145.1% of design capacity. As the following table shows, the populations at the men’s prisons continue to show reductions in overpopulation. The women’s facility at Mitchellville continues to be the most overcrowded, operating at more than 2.5 times capacity. The following table shows the current distribution of Iowa inmates.

**Pending Legislation** Bills are pending that will convert 100 Department of Human Services beds at Mt. Pleasant to prison beds for women with special needs, add 200 special needs beds for men at Ft. Madison, and provide the State match for federal funding to construct 200 medium-security beds at Mitchellville.

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

Weekly Medical Assistance Expenditures in the Department of Human Services



**Medical Asst. Program** For the week ending March 23, 1998, FY 1998 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $14.5 million (97.1% of budget). This is $431,000 below the weekly budget established by the Department. Year-to-date Medical Assistance General Fund expenditures are $259.0 million, which is $4.2 million (1.6%) above the amount budgeted for the fiscal year-to-date.

**Expenditure 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)