FISCAL UPDATE January 25, 1999

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Administration and Regulation Appropriations Subcommittee

**Admin./Regulation Sub.** The Administration and Regulation Appropriations Subcommittee met January 20 and 21.

**State Auditor** On January 20, Richard Johnson, State Auditor, presented the Office of the Auditor’s budget request for FY 2000. The Office is requesting $1.5 million from the General Fund and 112.5 FTE positions, an increase of $95,000 (6.6%) and no change in FTE positions compared to FY 1999.

**Vacant Positions** Mr. Johnson responded to questions from members of the Subcommittee about the Office’s reversion of $78,000 in FY 1998. Mr. Johnson explained that due to high turnover in the Office, not all FTE positions were filled during FY1998.

**State Treasurer** Michael Fitzgerald, State Treasurer, presented the FY 2000 budget request for the Office of the Treasurer. Mr. Fitzgerald indicated his budget request should be increased by $57,000 for carpet and drapes for the office. He also indicated the budget includes $12.9 million for ICN debt service.

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**Discussion** Mr. Fitzgerald responded to the Subcommittee by indicating the reversions his office has had are due to employee vacancies being higher then anticipated. Mr. Fitzgerald also indicated that his office was able to handle the work load created by College Savings Iowa by an appropriation of $200,000 from the Unclaimed Property Fund and the use of part-time workers. Mr. Fitzgerald indicated his Office will be looking into Internet access for College Savings Iowa to allow access to individual accounts. Mr. Fitzgerald indicated he will provide the Subcommittee with a detailed breakdown of the revenue and expenditures for College Savings Iowa and Unclaimed Property.

**Requested Information** Mr. Fitzgerald also indicated he would provide a listing of funds maintained by the Treasurer’s Office and their current status.

#### FY 2000

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**Dept. of Commerce** Roger Halvorson, Director of the Department of Commerce, presented the Department’s budget request for FY 2000. The Department is requesting $20.1 million from the General Fund and 325.0 FTE positions, an increase of $67,000 (0.3%) and decrease of 0.5 (0.2%) FTE position compared to estimated FY 1999.



**Requested Information** The Subcommittee requested that the following information from the Department be submitted to the Subcommittee and the Legislative Fiscal Bureau:

1. A breakdown of out-of-state travel, and consultant and data processing expenses for the Insurance Division.
2. The Iowa Legislature cost savings that could be obtained by eliminating the Engineering Board.
3. A breakdown of per-person costs of office equipment for the Department.
4. A breakdown of fees for credit card processing and ITS charges for filings by engineers and architects.

**Tour of Warehouses** The Subcommittee was provided with an opportunity to tour the Alcoholic Beverage Warehouse and the Lottery Warehouse that evening.

**Food Sales Tax** On January 20, Representative Holmes discussed progress made by the Subcommittee on the food sales tax on non-prepared food. The Department of Revenue and Finance developed an Internet site that helps distinguish which food items are exempt from sales tax and which are not.

**Ethics/Campaign Disc.** On January 21, Kay Williams, Executive Director of the Iowa Ethics and Campaign Disclosure Board, presented the Board’s budget request for FY 2000. Ms. Williams indicated the Board will be having a retreat to review issues in depth.

**Electronic Filing** Ms. Williams responded to the Subcommittee by indicating that about 20% of the filings now come into the office electronically. She indicated that anyone who obtains software for electronic filing agree to do so and not just use it to help with their own records. She also indicated they are working to make the software usable with other than IBM-compatible systems.



**Requested Information** Ms. Williams agreed to provide the Subcommittee with the cost savings incurred by the retirement of a long-time employee, and to provide a three-year plan for the development of computer software.

**Study Committees** The Subcommittee was allowed time to break into study committees.

STAFF CONTACT: Shawn Snyder (Ext. 16765) Ron Robinson (Ext. 16256)

Agriculture and Natural Resources Appropriations Subcommittee

**Agric./Natural Res. Sub.** The Agriculture and Natural Resources Appropriations Subcommittee met on January 20 and January 21.

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**Gypsy Moths** On January 20, the Committee heard from John Haanstad, State Entomologist, Iowa Department of Agriculture and Land Stewardship, on current and future methods to control the spread of gypsy moths into Iowa.

**Multiflora Rose** John Hill and Ed Brown, Iowa State University, discussed progress toward the eradication of the multiflora rose on January 20.

**Well Testing** On January 21, Stew Melvin, Iowa State University, presented research information on private well testing for pollution from animal production. Mr. Melvin discussed future reports and research projects.

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

Economic Development Appropriations Subcommittee

**Econ. Development Sub.** The Economic Development Appropriations Subcommittee met January 20 and January 21.

**FY 1998 Expenditures** On January 20, the Committee adopted rules and heard a presentation from the Legislative Fiscal Bureau concerning FY 1998 year-end expenditure and revenue analysis for all of State government and specifically about the Department of Economic Development, Department of Workforce Development, and the Public Employment Relations Board. The Subcommittee also discussed potential topics for future meetings.



**Changes in Workforce** On January 21, the Subcommittee heard testimony concerning the change in Iowa’s economic and workforce structure over the time period of 1982 through 1998.



1. Harvey Siegelman, State Economist with the Department of Economic Development, discussed changes in Iowa’s economy from 1982 through 1998 which have made the State more resilient to downturns in the agricultural economy. Mr. Siegelman stated that although there are still reasons to be concerned about declining farm income, the State as a whole is much better positioned than in the early 1980’s to absorb any decline in earnings from agricultural production. Mr. Siegelman also stated that although farm income will likely show declines for 1998 and 1999, the declines are from relatively healthy levels recorded in 1996 and 1997.
2. Deb Dessert, Acting Director of the Department of Workforce Development, as well as Department staff members Jeff Nall and Judy Erickson, briefed the Subcommittee on the structural changes in Iowa’s workforce from 1982 through 1998. The testimony indicated that Iowa’s labor participation rate is currently very high compared to the national average, while the unemployment rate is very low. Mr. Nall stated that a continuing issue with Iowa’s workforce is the need to upgrade work skills and retrain workers. Mr. Nall stated that the Department of Workforce Development is continually working with the community colleges, the Department of Economic Development, and the Department of Education to address the worker training issue. Senator Schuerer asked that given the current labor situation in Iowa, what is prohibiting the 39,000 persons counted as unemployed from obtaining jobs. Ms. Erickson and Mr. Nall responded that factors such as location, lack of transportation, normal transitions between jobs, unresolved handicap issues, and work skill deficiencies all play a part in maintaining some level of unemployment.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Education Appropriations Subcommittee

**Education Subcommittee** The Education Appropriations Subcommittee held meetings January 20 and January 21.

#### FY 2000

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**FY 2000 Budget Requests** On January 20, Legislative Fiscal Bureau staff reviewed the FY 2000 department requests for the College Student Aid Commission, Departments of Cultural Affairs and Education, and the Board of Regents.

**Empowerment** On January 21, the Subcommittee attended an ICN presentation regarding empowerment. Also in attendance were members of the Human Services and Health and Human Rights Appropriations Subcommittees.

**Next Week** The Subcommittee agenda plans for the week of January 25 include:

1. January 26 – Community colleges and Department of Education.
2. January 27 – State and regional libraries, Division of Vocational Rehabilitation, and Creative Employment Options.
3. January 28 – No meeting - Governor Vilsack’s Budget Address.

STAFF CONTACT: Paige Piper/Bach (Ext. 14613) Mary Shipman (Ext. 14617)

Health and Human Rights Appropriations Subcommittee

**Health/Human Rights** The Health and Human Rights Subcommittee met January 20. The Subcommittee heard presentations on the following topics:

1. An overview presentation by the Legislative Fiscal Bureau regarding state, federal, and other funding of all agencies and programs represented by the Health and Human Rights Subcommittee.
2. A presentation by Jennifer Hart, Iowa Department of Public Health, related to the history, purpose, criteria, and funding for the Scope of Practice Review Committees, including those for Dental Assistants and Nurse Aides Workforce. Ms. Hart also discussed proposed legislation establishing minimal education requirements for dental assistants in the areas of hazardous materials, infection control, and jurisprudence.

**Empowerment** On January 21, the Health and Human Rights Subcommittee participated in the ICN Community Empowerment Technical Assistance Meeting.

**Next Week** The tentative agenda for the week of January 25 includes:

1. January 26: Trip to the Iowa Commission for the Blind for a tour and presentation.
2. January 27: Presentation on Gambling Treatment.
3. January 28: No meeting – Governor Vilsack’s Budget Address.

STAFF CONTACT: Jennifer Dean (Ext. 14613) Valerie Thacker (Ext. 15270)

Human Services Appropriations Subcommittee

**Human Services Sub** The Human Services Appropriations Subcommittee met the week of January 18 and conducted the following business:

**Presentations** January 20:

#### FY 2000

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1. Heard from Legislative Fiscal Bureau staff regarding the FY 2000 budget request for the Medical Services programs within the Department of Human Services (DHS).
2. Heard from representatives of the DHS regarding payment for Viagra and similar prescription drugs from the Medicaid Program.
3. Discussed federal requirements which require that if a pharmaceutical manufacturer and the Iowa DHS enter into a rebate agreement for purposes of prescription drug discounts, then all prescription drugs manufactured by the particular pharmaceutical manufacturer must be covered under the Medical Assistance Program.
4. Discussed the administrative rules taking effect March 1 which will limit the number of Viagra tablets per month to four, require an appropriate diagnosis, and mandate that the recipient of the prescription medication be at least 19 years of age.



1. The members of the Subcommittee agreed by consensus to support the proposed administrative rules taking effect on March 1.
2. Heard from representatives of the DHS regarding Pharmacy Consultation Services, with a departmental budget request of $207,000 for FY 2000 for a pilot project. Federal matching funds at a rate of approximately 63.12% would also be available for this purpose. This request would pay for consultation services provided by a pharmacist for persons receiving prescription drugs through the Medicaid Program.
3. Heard from representatives of the DHS and the Iowa Foundation for Medical Care regarding a Home Infusion Therapy study. The study recommended potential changes in reimbursement rates and methodology for home infusion therapy.
4. Heard from representatives of the DHS and several members of the Medicaid Drug Prior Authorization/Prospective Drug Utilization Review Task Force regarding the use of prior authorization procedures, the simultaneous use of drug utilization review with prior authorization, the predicted increase in the cost of prescription drugs, and the availability of data regarding drug utilization review. Senator Szymoniak moved that the Subcommittee accept the report from the Task Force and direct the DHS to proceed as outlined in the Report and inform the Subcommittee periodically throughout the implementation process. The motion passed unanimously.

**More Information** Additional information is available upon request. Copies of the reports reviewed by the Subcommittee are available upon request from the Legislative Fiscal Bureau.



**Empowerment** On January 21, the Appropriations Subcommittee met as a Subcommittee in the Community Empowerment Technical Assistance Meeting, co-sponsored by Members of the General Assembly serving on the Iowa Empowerment Board and the National Conference of State Legislatures (NCSL) Human Services Reform Project. This was conducted over the Iowa Communications Network and included members of other appropriations subcommittees and community stakeholders. Discussion included:

1. Explanation of the Community Empowerment Initiative.
2. Suggestions for improvements in the process of Community Empowerment.
3. Possibility of results-based planning.
4. Suggestions for improvements in community partnerships.

STAFF CONTACT: Deb Anderson (Ext. 16764) Sue Lerdal (Ext. 17794)

JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE



**Justice System** The Justice System Appropriations Subcommittee met January 20 and 21 to hear the budget presentation for the Judicial Department by Justices Lavarato and Carter. The presentation included requests for:

1. Three additional Court of Appeals Judges and support staff, increasing the number of judges from six to nine, as prescribed by HF 2471 (Appellate Court Judges Act) passed by the 1998 General Assembly.
2. Six District Court Judges, four District Associate Judges, and support staff.
3. Eighteen technology positions currently funded through the Enhanced Court Collections Fund and the Court Technology Fund.



1. Additional funding for the Iowa Court Information System (ICIS), including operating expenses and six additional technology staff.
2. Funding for education and training for non-judicial employees.
3. Funding to renovate or remodel areas of courthouses where the county has provided extra space.
4. Funding for clerical support for Juvenile Court and to expand the Court Appointed Special Advocate (CASA) program.
5. Funding for the Juvenile Restitution program to cover increased costs due to increased severity and frequency of juvenile crime.
6. Funding for the Judicial Retirement System.

**Technology** Justice Lavarato provided information on the Enhanced Court Collections Fund and the Court Technology Fund expenditures and discussed the need for the Courts to continue to increase their level of technology in order to be more efficient in processing cases and providing useful and accurate reporting.

STAFF CONTACT: Christina Schaefer (Ext. 16301) Dwayne Ferguson (Ext. 16561)

Oversight and Communications Appropriations Subcommittee

**Oversight & Commun. Sub.** The Legislative Oversight and Communications Appropriations Subcommittee met January 20 and 21.



**Report Received** On January 20, the Committee received and discussed the “Final Report on the Evaluation of Options for the Iowa Communications Network (ICN)”, by Ultrapro International, Inc. Ellwood Kerkeslager of Ultrapro presented the Report to the Subcommittee. The Report presented and analyzed ten options related to the disposition of the Iowa Communications Network (ICN) at the end of the build out of Part III of the ICN.

**Options Presented** The options, as presented, were:



1. **Option 1 – Sale of the Network (no assurances)** – The ICN would be sold to a private owner but authorized users would not be assured affordable access to the network. Sale with no assurances means that the Legislature would not continue to provide subsidy support for the cost of educational use of the ICN. The sale raises issues related to federal use of the ICN, right-of-way and access considerations, and IRS concerns. Also, unsuccessful bidders (or competitors who did not bid) may try to block the sale.
2. **Option 2 – Sale of the Network (with assurances)** – The ICN would be sold to a private provider, but educational users would be assured affordable access, subsidized either by the state or the buyer. As is the case with Option 1, the sale raises issues related to federal use of the ICN, right-of-way and access considerations, and IRS concerns. Also, unsuccessful bidders may try to block the sale.
3. **Option 3 – Sale of Excess Capacity** – The state would sell excess capacity (dark fiber) for private ownership and operation while retaining control of its portion of the network and continue to provide assurances to authorized users. The ICN does not have a significant amount of marketable space capacity and the same concerns about federal use, right-of-way, IRS concerns and potential for unsuccessful bidders to try to block the sale would relate to this option as well. An issue of security in allowing a private company to share in the utilization of existing sites and set up equipment in existing facilities was also raised.
4. **Option 4 – Private-Public Ownership** – The ICN would be owned and operated by a new public-private entity which could be a partnership, association, or corporation. Expanding the network and the use of the facilities with the State as a partner to compete with private providers would be a very controversial step. It would likely be challenged in court because of the disadvantage it creates for all of the providers that do not get the contract to partner with the State.



1. **Option 5 – State Ownership, Private Operations** – The State would retain ownership of the ICN, but would lease the entire network to a private operator which could open the network up for public use. As is the case with Option 4, expanding the use of ICN to compete with current telecommunications providers is a controversial step which would likely be challenged in court.
2. **Option 6 – State Ownership, Private Management** – The State would retain ownership of the ICN, but would contract with a private company to manage the network. This option would not be as controversial as the other options because it would not expand the network to compete with private providers for general business and consumer customers.
3. **Option 7 – Lease of Excess Capacity (no restrictions)** – The State would retain ownership and operation of the ICN but would lease excess capacity to providers anywhere in the State. Once again, the option of expanding the use of ICN to compete with current telecommunications providers is a controversial step which would likely be challenged in court. In addition, any new operator would have to be evaluated to determine if such a transaction would aid or hurt competition.
4. **Option 8 – Lease of Excess Capacity (restricted)** – The State would retain ownership and operation of the ICN but would lease excess capacity to providers in areas where the service is not currently available. Once service comes in an area, the ICN would be unable to continue the lease. This option is not as controversial as Option 7, although the provider would have a monopoly in those areas of the State currently not served by a telecommunications provider. It was recommended that the Legislature make a policy determination as to whether it intends to go beyond serving the needs of its own users.
5. **Option 9 – State Ownership and Operation** – The State would continue to own and operate the ICN. Based on interviews conducted by the consultants, the status quo seemed acceptable to most industry and government representatives that were interviewed during the study. This is due to a fear by the industry that a competitor would buy the ICN and have an unfair business advantage and built-in customer base.
6. **Option 10 – State-owned Public Utility** – The State would continue to own and operate the ICN but would open the user base up to the general public. The addition of a competitive alternative would appear to be in agreement with the principle that users benefit from increased competition. However, the interviews indicated that industry competitors view this with alarm because the State has unfair competitive advantages as it does not pay taxes and is subsidized by the taxpayers.

**Recommendations** The consultants also recommended that the State and the Management of the ICN develop, implement, and monitor:

**Recommendations**

1. Quality measures that track the performance of the ICN’s services.
2. A regular system of customer satisfaction measures.
3. A series of regular operational audits of the ICN, in addition to the annual financial audits.
4. Measures and incentives to encourage efficient and effective use of the ICN by authorized users.

**Other Issues Discussed** On January 21, the Subcommittee received information and discussed the following issues:



 **Year 2000**

1. Paul Carlson, Year 2000 Project Office, presented an update of the efforts of the Office in identification and remediation of embedded computer chips that are date sensitive and would require replacement to operate appropriately on January 1, 2000. This would be due to having only two digits related to the year and may cause equipment to interpret 2000 as 1900. Initial estimates to correct the problem were $6.2 million and have been reduced to $3.0 million.
2. Dave Miller, Emergency Management Division, reported on efforts of that office to work on the development of contingency plans for potential disruptions that may occur related to the Year 2000 computer problem.
3. Five speakers presented information on the Year 2000 remediation efforts of the electric utility industry in Iowa to ensure that Iowans have electricity on January 1, 2000. These included:
4. Paul Maakestaad – Mid American Energy
5. Bob Newell – Alliant Energy
6. Colin Hansen – Iowa Association of Municipal Utilities
7. Dawn Vance – Iowa Association of Electric Cooperatives
8. Alan Thoms, Chairman, Iowa Utilities Board

**More Information** Copies of information provided at the meeting are available by contacting the Fiscal Bureau staff listed below.

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

Transportation, Infrastructure, and Capitals Appropriations Subcommittee

**Tran., Infra., & Capitals** The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met January 20 and 21 and heard presentations from the Legislative Fiscal Bureau and the Department of Transportation (DOT).



**Road Use Tax Fund** The Legislative Fiscal Bureau presented an overview on the Road Use Tax Fund, which included a discussion of revenues and allocations of the Fund, the current five-year forecast, and funding allocated to the Primary Road Fund.

#### FY 2000

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**DOT FY 2000 Budget**  The DOT presented the FY 2000 budget request to Subcommittee. The Department is requesting a total of $273.4 million, an increase of $16.3 million (6.3%) compared to estimated FY 1999. The Budget request includes $8.3 million in capital projects funding. The following table summarizes the DOT’s FY 2000 request.

**Iowa In Motion Plan** The Subcommittee also heard presentations from the DOT on the Iowa In Motion Transportation Plan, the federal Transportation Equity Act for the 21st Century (TEA-21), and the DOT’s Five-Year Transportation Program.

STAFF CONTACT: David Reynolds (Ext. 16934)

Expenditure Limitation and Three-fifths Majority Constitutional Amendments - SJR 1

**SJR 1** On January 19, the Senate Ways and Means Committee passed SJR 1, which contains two proposed constitutional amendments. The first amendment includes many of the provisions of the current expenditure limitation law. The major provisions include:



1. Spending is limited to 99.0% of revenues.
2. Only 95.0% of any new revenue source implemented in a fiscal year is available for expenditure.
3. The Governor and General Assembly are required to use the most recent revenue estimate prior to January 1 in budget preparation and the budget process.
4. Creates a 10.0% surplus requirement. Expenditures from the 10.0% pool of funds requires a three-fifths majority vote.

**Const. Amendment** The second proposed constitutional amendment would require:

1. A three-fifths majority to increase personal income taxes, corporate income taxes, sales taxes, or use taxes.
2. A three-fifths majority to enact a new State tax.

**Special Election** The Bill calls for a special election to be held on June 29, 1999.

**House Action** On January 20, the House Ways and Means Committee passed HJR 1, which contains the same language as SJR 1.

STAFF CONTACT: Shawn Snyder (Ext. 16765) Mike Lipsman (Ext. 17799)

House and Senate Education Standing Committees Hear Presentations on the State Auditor’s Analysis of Area Education Agencies



**Area Education Agencies** On January 20, State Auditor Richard Johnson made presentations to both the House and the Senate Education Committees on the findings of ***An Analysis of the Area Education Agencies.*** Preparation of the Report was required by House File 2533 enacted by the 77th General Assembly. The State Auditor summarized the findings and recommendations of the analysis for both Committees and then fielded questions from Committee members. One of the major findings that generated substantial discussion at both presentations involved the Report’s criticism of the Department of Education’s exercise of its regulatory and general supervision responsibilities as specified by Chapter 256.1 of the Code of Iowa. The Report characterized the Department of Education’s relationship with the Area Education Agencies as being consultative and advisory rather than regulatory. However, the Report qualified criticism of the Department by stating that more staff may be required to adequately fulfill its regulatory responsibilities.

STAFF CONTACT: Mike Lipsman (Ext. 17799)

State Auditor Releases Audit of the Iowa Housing Corporation



**Report Released** On January 13, the State Auditor released an audit of the Iowa Housing Corporation, a private, non-profit entity created in 1990 by the Iowa Finance Authority. The audit was requested by the Economic Development Appropriations Subcommittee due to Subcommittee concerns over the use of $8.0 million granted to the Corporation by the Iowa Finance Authority.

**Contents** The audit reviews the revenues, expenditures, and salaries of the Corporation, as well as the financial and technical assistance provided by the Corporation in its efforts to promote low and moderate income housing in Iowa. The audit makes several suggestions for possible action involving the Corporation.

**Future Analysis** The Legislative Fiscal Bureau will provide an analysis of this audit in a future edition of the Fiscal Update. Copies of the audit are available upon request from the State Auditor or the Legislative Fiscal Bureau.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Iowa Communications Network (ICN) Video Classroom Update



**Classrooms Added** The Iowa Communications Network (ICN) added eight additional interactive video classrooms during the first half of January at Beckman High School in Dyersville, Lone Tree Jr/Sr High School in Lone Tree, Marcus-Meriden-Cleghorn High School in Marcus, West Central High School in Maynard, Waterloo Public Library, University of Northern Iowa, and two classrooms at Anamosa State Penitentiary. 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 | 94 |
| K-12 School Districts | 337 |
| Other Education | 3 |
| Libraries | 16 |
| Medical Facilities | 8 |
| Private Colleges | 17 |
| Regents Institutions | 25 |
| National Guard | 56 |
| State Agencies | 42 |
| Federal | 14 |
| Miscellaneous | 3 |
| Classrooms Total | 631 |

**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)

Lottery Revenues and Expenditures Through December



**FY 1999 Lottery Revenues** Through December, FY 1999 Lottery game revenues were $8.3 million above the FY 1998 level. Lottery prize expenses increased $5.1 million, operating expenses increased $935,000, and transfers to other State funds increased $2.7 million. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.

| **STATE LOTTERY****July Through December****(Dollars in millions)** |
| --- |
|  |  |  FY 1998 |  | FY 1999 |  | Inc./Decr. |  | % Inc. |
| Fiscal Year Beginning Balance |  | $ 3.4 |  | $ 3.1 |  | $ -0.3 |  |  |
|  |  |  |  |  |  |  |  |  |
| Game Revenues |  | 79.0 |  | 87.3 |  | 8.3 |  | 10.5 |
| Interest |  | 0.5 |  | 0.4 |  | -0.1 |  | -15.7 |
|  Total Revenue |  | $ 79.5 |  | $ 87.7 |  | $ 8.2 |  | 10.4 |
|  |  |  |  |  |  |  |  |  |
| Prize Expense |  | $ 46.0 |  | $ 51.1 |  | $ 5.1 |  | 11.0 |
| Operating Expense |  | 17.6 |  | 18.5 |  | 0.9 |  | 5.3 |
| Transfer of Profits |  | 15.7 |  | 18.4 |  | 2.7 |  | 17.1 |
|  Total Expense |  | $ 79.3 |  | $ 88.0 |  | $ 8.7 |  | 11.0 |
|  |  |  |  |  |  |  |  |  |
| December Ending Balance |  | $ 3.6 |  | $ 2.8 |  | $ -0.7 |  |  |

**FY Sales** Fiscal year sales through December, compared to the same time period of FY 1998, were as follows:

1. Instant ticket sales decreased $1.9 million (4.4%).



1. Iowa Lotto/Supercash/Pick 3 sales decreased $1.9 million (51.0%).
2. Multi-State Powerball sales increased $11.0 million (74.0%).
3. Multi-State Daily Millions/Cash 4 Life sales decreased $469,000 (17.7%).
4. Daily Game sales decreased $227,000 (9.2%).
5. Pull-tab sales increased $1.9 million (15.9%).

**December Sales** Total Lottery sales for December were below December 1997 by $1.3 million (8.4%). December 1998 sales for all games except Pull-tabs were below December 1997.



**REC Projections** The December Revenue Estimating Conference (REC) projected FY 1999 Lottery profits will total $34.4 million. Of this amount, $33.9 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 $530,000). Actual profit transfer for FY 1998 was $34.7 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 1999 figure is through December 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 $4.4 million in sales tax during FY 1999.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

**LFB INTERNET ADDRESS** Visit the LFB website located at [***http******://staffweb.le******gis.state.ia.us/lfb/***](http://staffweb.legis.state.ia.us/lfb/)

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 **Website**