FISCAL UPDATE March 15, 1999

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

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Senate Education Committee Passes School Aid Formula Revisions

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**SF 425 – School Aid** On March 10, the Senate Education Committee passed SF 425 (formerly HSB 1195), making several changes to the State School Aid Foundation Formula. Overall, the Bill increases State K-12 spending by $50.1 million for FY 2000 by providing $37.4 million in property tax relief and $12.7 million in new education funding. Major provisions of the Bill include:

1. Increasing the regular program and special education foundation levels to 88.0% from 87.5% and 79.0%, respectively.
2. Increasing the uniform property tax levy rate from $5.40 to $5.70 per thousand dollars taxable valuation.
3. Providing “on-time” funding for special education, which will result in the elimination of the need for most school districts having to apply to the School Budget Review Committee for additional allowable growth to cover special education deficits.
4. Moving all funding responsibility for talented and gifted programs under the School Aid Foundation Formula.
5. Initiating the three-year phase-out of property tax adjustment aid, which was a hold harmless feature of the 1989 revision of the School Aid Foundation Formula.
6. Providing State aid for school districts with transportation costs in excess of 150% of the State’s average per pupil transportation cost.
7. Reducing the State’s share of instructional support program cost from 25% to 20% and eliminating the cap on State funding for the program, which is currently set at approximately 13% of program cost.
8. Repealing the current July 1, 2001, sunset for the School Aid Foundation Formula, and establishing a requirement that the formula be reviewed every five years.



**Fiscal Estimates By District** Senator Redfern, Committee Chair, characterized the Bill as a first step toward implementing the recommendations of the School Finance Working Committee issued March 2, and summarized in the March 8 ***Fiscal Update***. Estimates of school district impacts of the Bill for FY 2000 are available from the Legislative Fiscal Bureau.

STAFF CONTACT: Mike Lipsman (Ext. 17799)

House Education Committee Approves Changes to School Aid Formula

**Revisions to Formula** On March 11, the House Education Committee approved three bills containing revisions in the School Aid Foundation Formula.



1. HSB 232 reduces the State share of instructional support costs from 25% to 20%, but also eliminates the existing cap on State funding for the program. This Bill will increase State instructional support program expenditures for FY 2000 from $14.8 million to $24.0 million.
2. HSB 239 amends Section 257.11, Code of Iowa, pertaining to the provision of supplementary weighting for students participating in shared programs and courses. In addition to redefining conditions school districts must satisfy to qualify for supplementary weighting for district-to-district and district-to-community college shared programs, the Bill provides at-risk program funding for students in grades 9 - 12. Also, the Bill requires the phase-out of supplementary weighting for students enrolled in alternative high school programs and courses offered by community colleges, as required by a recent Attorney General’s opinion.
3. HF 364 provides State aid for school districts experiencing transportation costs in excess of 150% of the State average transportation cost per pupil, which for FY 1998 was $154.52. The State aid would equal 50 cents per dollar of cost in excess of the 150% threshold. For FY 2000, the estimated cost for the program is $2.3 million. An annual cap of $4.0 million is established in the Bill as amended in Committee.

STAFF CONTACT: Mike Lipsman (Ext. 17799)

House Ways and Means Committee Passes HF 657 - Sales Tax Exemption for Leasing and Renting

**Tax Exemption** On March 10, the House Ways and Means Committee passed HF 657 which exempts consumer rental or lease businesses from paying sales and use tax on tangible personal property purchased for use in a rental or lease business. However, the exemption only applies if the lease, rental, or consumer rental is subject to sales or use tax when it is leased or rented. If the property is used for other than leasing or rental, then sales or use tax is due with credit for the amount of sales or use tax paid if previously leased or rented.



**Change From Current Law** Under current law, if the item purchased by a rental company is rented or leased for more than five months, the original purchase of the item is exempt from sales tax. Under HF 657, the five-month distinction is removed and the original purchase of all items used in the business of leasing or renting will be exempt from the sales tax.

**Fiscal Impact** House File 657 is expected to result in decreased sales and use tax receipts to the General Fund of approximately $609,000, beginning in FY 2000 and each year thereafter.

STAFF CONTACT: Larry Sigel (Ext. 14611)

 Status of Appropriations Bills



| **Appropriations Subcommittee Bills** |
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| **Appropriations Subcommittee** |  | **LSB/File #** |  | **Status** |
| Admin./Regulation |  | SSB 1159 |  | Passed Joint Subcommittee on March 4. Bill starts in Senate. |
| Ag./Natural Resources |  |   |  | In Joint Subcommittee. Bill starts in House. |
| Economic Development |  |   |  | In Joint Subcommittee. Bill starts in House. |
| Education |  |   |  | In Joint Subcommittee. Bill starts in Senate. |
| Health/Human Rights |  |  LSB 1132 |  | Passed Joint Subcommittee on March 4. Bill starts in House. |
| Human Services |  |  |  | In Joint Subcommittee. Bill starts in House. |
| Justice System |  | LSB 1134S |  | In Joint Subcommittee. Bill starts in Senate. |
| Oversight & Comm. |  |  |  | In Joint Subcommittee. Bill starts in House. |
| Trans., Infrastruc- ture, & Caps. |  | SF 424 |  | Transportation Appropriations Bill passed Senate Approps. on March 10. On Senate calendar.Infrastructure Bill in Joint Subcommittee. Bill starts in House. |

| **Other Appropriations Bills** |
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| **Subject** |  | **File #** |  | **Status** |
| DOT Administration - Nonreversion |  | SF 76 |  | Passed Senate Approps. on Feb. 16. |
| Battle Flag Commission - $50,000 GF |  | SF 166 |  | Passed Senate Approps. on March 10. On Senate calendar.  |
| Teacher Mentoring - $300,000 GF  |  | SF 232 |  | Passed Senate on March 4. In House Education Committee. |
| Fed. Block Grant  |  | SF 283 |  | Passed Senate on March 4. |
| FY 1999 Supplemental |  | SF 430 |  | Passed Senate Approps. on March 10. |
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| Embedded Chip Supplemental |  | SF 366 |  | Passed Senate Approps. on March 9. On Senate calendar. |
| Substance Abuse/Sexual Abuse (Meth Bill) $3.3 mil GF |  | SF 361 |  | Passed Senate on March 11.  |
| Oil Overcharge |  | HF 332 |  | Passed Senate Approps. on March 11. |
| Substance Abuse/Sexual Abuse (Meth Bill) |  | HF 514 |  | Passed House Approps. on March 3. |

STAFF CONTACT: Holly Lyons (Ext. 17845)

Agriculture and Natural Resources Appropriations Subcommittee

**Agric. & Natural Resources** The Agriculture and Natural Resources Appropriations Subcommittee met on March 8 to discuss the FY 2000 budget priorities. No formal actions or decisions were made.

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

Economic Development Appropriations Subcommittee

**Economic Development Sub.** The Economic Development Appropriations Subcommittee met on March 10 and distributed the proposed FY 2000 Economic Development Appropriations Bill. The Subcommittee met on March 11 and distributed proposed amendments to the Bill.

**Next Week**  The Subcommittee will meet on March 16 to consider amendments to the proposed Bill.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Oversight and Communications Appropriations Subcommittee

**Oversight & Commun. Sub.** The Oversight and Communications Appropriations Subcommittee hosted a work session on March 8 related to the creation of a new Information Technology Department. The Subcommittee is concerned about the continued growth in the use of various types of technological applications with little oversight or standards to ensure consistency and interoperability between departments.

**Proposed New Department** The proposed new department would merge the following agencies into a single department:

1. Information Technology Services Division of the Department of General Services



 **New Department**

1. Iowa Communications Network
2. Iowa Public Television

**Next meeting** All of these agencies are very involved with the identification and application of new technology. The work group will meet again on March 16 in Room 118 and continue discussions on the issues that need to be resolved and possible structure of the new department.

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

Senate Appropriations Committee Passes the Transportation Appropriations Bill

**Tran., Infra., & Capitals** The Senate Appropriations Committee amended and passed the Transportation Appropriations Bill on March 10. The Bill, as amended, appropriates a total of $259.8 million and 3,840.5 FTE positions which includes $4.1 million from the General Fund, $34.3 million from the Road Use Tax Fund, and $221.4 million from the Primary Road Fund. This is an increase of $5.7 million (2.2%) and a decrease of 30.5 (0.8%) FTE positions compared to estimated FY 1999. The significant changes made by the Appropriations Committee include:

**Operations & Finance Operations and Finance Division:**



1. An increase of $445,000 for telecommunication costs associated with connecting DOT field offices to the Department’s Local Area Network.
2. A decrease of $167,000 (from $445,000 to $278,000) for Phase II of the Electronic Records Management System. The System is designed to provide faster and less expensive access to DOT records.

**Planning/Programming Planning and Programming Division:** An increase to the base budget of $39,000 and 1.0 FTE position.

**Project Development Project Development Division:**



1. An increase of $600,000 to restore funding to the Division that the Transportation, Infrastructure, and Capitals Appropriations Subcommittee eliminated. The Subcommittee cut $600,000 in salaries and 50.0 vacant nonpermanent FTE positions from the Division’s budget. The Appropriations Committee restored the salary funds to the Division and made offsetting reductions in other areas of the DOT’s budget.

In addition, the Appropriations Committee cut an additional 10.0 vacant nonpermanent FTE positions from the Division. The funds for the FTE salaries (approximately $120,000) were not cut from the Division’s budget; however, offsetting reductions were made in other areas of the DOT’s budget.

**Maintenance Maintenance Division:** A decrease of $150,000 for expanded work zone safety initiatives.

**Motor Vehicle Div. Motor Vehicle Division:**

Driver’s Licenses

1. A decrease of $100,000 (from $250,000 to $150,000) for an estimated reduction in costs associated with the International Registration Plan System.
2. A decrease of $250,000 (from $500,000 to $250,000) associated with redesigning the driver’s license master record file.
3. An increase of $270,000 and 9.0 FTE positions to restore funding for Driver Services employees that will be used to provide driver’s license issuance services in DOT driver’s license stations.

**Indirect Cost Indirect Cost Recoveries:** A decrease of $200,000 (from $800,000 to $600,000) due to an estimated reduction in reimbursements to the General Fund. The DOT is required to reimburse the General Fund for services provided to the DOT by other State agencies whose budgets are funded from the General Fund.

**Driver’s License Driver’s License Digitized Imaging System:** A decrease of $68,000 (from $2.1 million to $2.0 million) due to an estimated reduction in the lease of the Driver’s License Digitized Imaging System.

**Inventory & Equipment Inventory and Equipment Replacement:** An increase of $1.0 million (from $3.9 million to $4.9 million) for costs associated with replacing equipment through the Materials and Equipment Replacement Revolving Fund.



**Maintenance Garage Maintenance Garage Construction:** A decrease of $2.3 million (from $2.5 million to $250,000) due to anticipated delays associated with the construction of maintenance garages in Shenandoah, Storm Lake, and Allison.

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

STAFF CONTACT: David Reynolds (Ext. 16934)

Oil Overcharge Bill – HF 332 Passes Senate Appropriations



**Oil Overcharge – HF 332** The Senate Appropriations Committee passed HF 332 (Oil Overcharge Appropriations Bill) on March 10. The Bill appropriates petroleum overcharge funds for FY 2000 to the Department of Human Rights and the Department of Natural Resources. The Bill:

1. Appropriates $560,000 to the Department of Human Rights for qualifying energy conservation programs for low-income housing. This is a decrease of $140,000 compared to the FY 1999 appropriation.
2. Appropriates $90,000 to the Department of Natural Resources for energy conservation and extension purposes. This is a decrease of $25,000 compared to the FY 1999 appropriation.
3. Appropriates $175,000 to the Department of Natural Resources for administrative functions. This is a decrease of $25,000 compared to the FY 1999 appropriation.

**NOBA**

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

STAFF CONTACT: Deb Kozel (Ext. 16767)

Senate Methamphetamine Bill – SF 361

**SF 361 – Meth Bill** Senate File 361 passed the Senate in a 49-0-1 vote on Wednesday. The Bill appropriates a total of $3.3 million from the General Fund and $30,000 in other fund dollars to be used in Iowa’s fight against methamphetamine. The Bill appropriates the following amounts:

1. $505,000 and 6.0 FTE positions to the Division of Narcotics Enforcement for six narcotics enforcement agents.
2. $81,000 and 2.0 FTE positions to the Division of Criminal Investigation for two criminalists to work primarily on methamphetamine testing.
3. $980,000 and 13.0 FTE positions for the establishment of a clandestine methamphetamine laboratory emergency response team within the Department of Public Safety.
4. $100,000 for the establishment of a youth leadership model program.



1. $60,000 on a reimbursement basis from moneys received by the Governor’s Alliance on Substance Abuse from the federal Edward Byrne Memorial State and Local Law Enforcement Assistance Program to the Department of Corrections to establish two additional drug court pilot projects.
2. $62,000 to the Department of Human Services for the State Training School at Eldora for substance abuse and for sexual predator treatment.
3. $1.5 million to the Department of Public Health for additional methamphetamine treatment.
4. $30,000 to the Department of Public Health for the development of a model Substance Abuse Prevention Program.
5. $20,000 for the planning and holding of a youth leadership conference on mentoring to train volunteer mentors who will help reduce substance abuse in schools.
6. $30,000 from the Health Insurance Surplus Account to the Department of Personnel for a Labor Management Substance Abuse Education Program.
7. $50,000 to the Department of Education for communities to participate in the Strengthening Families Program.

**NOBA**

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

STAFF CONTACT: Jennifer Dean (Ext. 14613) Christina Schaefer (Ext. 16301)

Iowa Battle Flag Commission Bill - SF 166 Passes Senate Appropriations Committee



Civil War Flag

**SF 166** Senate File 166 (Iowa Battle Flag Commission) passed the Senate Appropriations Committee on March 10. The Bill establishes an Iowa Battle Flag Commission within the Department of Cultural Affairs to develop a plan to preserve, document, and display the State battle flag collection. The Commission is required to submit a preservation plan to the Governor and the General Assembly on or before December 1, 1999. The Bill appropriates $50,000 from the General Fund to the Department of Cultural Affairs for a study on the condition of the battle flag collection by a professional flag conservator, staff support for the Commission, and other necessary expenses.

**NOBA**

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

STAFF CONTACT: Paige Piper/Bach (Ext. 17942) Mary Shipman (Ext. 14617)

Capital Projects Bill - SSB 1146 Passes Senate Natural Resources Committee



**Capital Projects** The Senate Natural Resources Committee passed SSB 1146 (Capital Projects Bill) on March 11. The Bill appropriates $18.4 million in funds from the Rebuild Iowa Infrastructure Fund for capital projects in the Department of Agriculture and Land Stewardship and the Department of Natural Resources. The Bill:

1. Appropriates $3.0 million for the development and implementation of a watershed protection program in the Department of Agriculture and Land Stewardship.
2. Appropriates $5.0 million for a financial incentives program for soil conservation practices in the Department of Agriculture and Land Stewardship.



1. Appropriates $3.0 million for park improvements in the Department of Natural Resources.
2. Appropriates $2.0 million for county park infrastructure grants in the Department of Natural Resources.
3. Appropriates $4.4 million for lake dredging in the Department of Natural Resources.
4. Appropriates $1.0 million for the development and implementation of a water quality assessment program in the Department of Natural Resources.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Fingerprinting Juveniles – HF 403 Passes House



**HF 403** House File 403, as amended, passed the House Chamber on March 11. The Bill provides for law enforcement officers to fingerprint juveniles charged with a public offense other than a simple misdemeanor. The fingerprints will then be forwarded to the Department of Public Safety to be included in the Automated Fingerprint Identification System (AFIS). Currently, law enforcement only fingerprints juveniles charged as adults.

**Fiscal Impact** The statewide fiscal impact of House File 403, as amended, is approximately $20,000 to local governments, and is expected to have a minimal impact on the General Fund.

STAFF CONTACT: Christina Schaefer (Ext. 16301)

Iowa Housing Corporation Audits



 AUDITS

**Audits Received** The Legislative Fiscal Bureau has received two audits of the Iowa Housing Corporation. The Corporation was created by a 1990 resolution of the Iowa Finance Authority and endowed with $8.0 million of Authority funds. The Authority is a State agency created in Chapter 16, Code of Iowa. The money transferred to the Corporation was revenue generated through the bonding activities of the Authority.

**Private Audit** The first audit was completed by the private auditing firm of KPMG Peat Marwick and covered the Corporation’s 1998 fiscal year. The audit provides accounting reports regarding the Corporation’s financial position. The audit reports the net worth of the Corporation to be $9.9 million at the end of FY 1998, essentially unchanged from FY 1997. The audit is provided to the Legislature in compliance with Section 16.5A, Code of Iowa.

**State Audit** The Auditor of State provided an audit of the Iowa Housing Corporation at the request of the Economic Development Appropriations Subcommittee. The audit was released January 13, 1999, and covered the Corporation’s activities through FY 1997.

**Copies Available** Copies of the audits are available from the Legislative Fiscal Bureau.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

University of Iowa Hospitals and Clinics Transfer of Funds

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**Transfer Sought** The University of Iowa Hospitals and Clinics (UIHC) and the University of Iowa (SUI) College of Medicine are seeking authority from the Board of Regents to transfer $12.0 million ($6.0 million from each entity) to the University of Iowa Health System. The proposal is included in the agenda for the March 17-18, 1999, Board of Regents meeting to be held at Iowa State University in Ames.

**U of I Health System** In October 1995, the Board of Regents authorized the UIHC and the SUI College of Medicine to transfer $18.9 million (half from each entity) to establish the University of Iowa Health System. The initial capitalization was estimated to satisfy the capital requirements of the System for three years.



**Physician Network** The System used the majority of the funding to develop a physician clinic network under University of Iowa Community Medical Services, Inc. The network currently includes 28 physicians and physician assistants in 12 clinics. Other entities established by the System include:

1. University of Iowa Community Homecare, Inc. – This Corporation became operational in January 1997 and provides home infusion therapy services to patients discharged from UIHC to their homes throughout Iowa.
2. University of Iowa HealthWorks – This entity became operational in January 1998 and provides occupational medical services directly and through partnerships with community providers.
3. Cancer Care of Iowa City – This entity was established in October 1996 in partnership with Iowa City Mercy to provide ambulatory medical oncology services.
4. ResourceLink of Iowa – This entity was established in September of 1997 in partnership with HELP Innovations to offer home telemedicine services.

**Capital Requirements** The UIHC and the SUI College of Medicine estimate that the proposed transfer of $12.0 million will satisfy capital requirements for the System for the next three years. Funds authorized by the Board of Regents would remain with the University until specific needs are identified and authorized by the System’s Board of Directors or Executive Committee.

STAFF CONTACT: Mary Shipman (Ext. 14617)

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