FISCAL UPDATE September 27, 1999

 Legislative Fiscal Bureau (515-281-5279 FAX 515-281-5481

Transportation Commission Meeting

**Commission Meeting** The Transportation Commission met September 14 and was presented information on numerous issues. The significant issues are discussed below.

 **Five-Year Revenue Forecast**



|  |  |  |
| --- | --- | --- |
|  |  |  |
| **IN THIS ISSUE:** | Transportation Commission Meeting, pg. 1 | Motor Oxygenate Enhancers Study Com., pg. 13 |
|  | DHS FY 2001 Budget Requests, pg. 4 | DNR Requests 8.39 Transfer, pg. 14 |
|  | Legislative Oversight Committee Mtg., pg. 9 | Office of State-Federal Relations Director, pg. 15 |
|  | Partners for Progress Meeting, pg. 10 | ***Issue Review*** – State Aviation Assistance, pg. 15 |
|  | Dept. of Commerce-Banking Board Mtg., pg. 11 | Emergency Cooling Funds, FY 1999 LIHEAP, pg. 16 |
|  | New Administrator for UST Program, pg. 12 | DPH-Substance Abuse Block Grant Funds, pg. 16  |
|  | Aviation Trans. in Ia. Study Com. Mtg., pg.12 |  |
|  |  |  |

**Road Use Tax Fund** The Department of Transportation (DOT) presented a new five-year funding forecast for the Road Use Tax Fund to the Commission. Receipts in FY 1999 were $51.4 million (5.7%) higher than the DOT’s forecast for FY 1999. This also represents a $69.9 million (7.9%) increase over FY 1998. For FY 2000, the DOT is projecting an increase of $57.6 million (6.1%) and an average annual increase of $35.3 million (3.3%) from FY 2001 to FY 2004. The following table shows the Department’s latest Road Use Tax Fund revenue forecast by revenue type. Of the increased revenues, 47.5% is allocated to the Primary Road Fund, 32.5% to Secondary and Farm-to-Market Road Funds, and 20.0% to the City Street Fund.

**Highway Apportionment** **Federal Highway Apportionments**



 The Commission heard a presentation on increased federal highway apportionments to Iowa for federal fiscal year (FFY) 2000. Iowa’s apportionments have been increased by $16.0 million for FFY 2000 (from $302.0 million to $318.0 million) and the DOT is projecting a $12.0 million annual increase for FFY 2001 through FFY 2004. The increase is due to increased revenues being deposited into the federal Highway Trust Fund. Under the provisions of the Transportation Equity Act for the 21st Century (TEA 21), increases in Highway Trust Fund revenues are passed through to the states in the form of increased apportionments. In addition, the DOT estimates the obligation limitation to be set at 88.0%, which means Iowa will receive an estimated $280.0 million in spending authority. This represents an increase of $14.0 million in spending authority over the previous FY 2000 estimate.

**FY 2001 Budget FY 2001 Operating Budget**

FY 2001

 ****

**Operating Budget** The Commission approved the Department’s FY 2001 budget for submittal to the Governor. The Department is requesting a total of $284.3 million and 3,911.5 FTE positions, an increase of $16.8 million (6.3%) and 78.0 FTE positions (2.0%) compared to the FY 2000 budget. The budget request is divided into four general categories: operations, special purpose, programs, and capital projects. The following tables show the Department’s FY 2001 budget request by category and by funding source.

 **Safety Plan** **Iowa Strategic Highway Safety Plan:**



 The Department presented the draft version of Iowa Strategic Highway Safety Plan to the Commission. The Plan addresses numerous highway safety concerns with the goal of reducing losses and suffering caused by traffic crashes through prevention, communication, cooperation and coordination. The Plan was prepared by the Iowa Safety Management System Coordination Committee, a statewide multidisciplinary transportation safety group comprised of representatives from the DOT, the Department of Public Safety, and numerous federal, state and local organizations. Some of the Plans’ recommendations will require legislative action, such as a mandatory motorcycle helmet law.

**Transit & Aviation Plans Transit and Aviation Implementation Plans Approved**

 The Commission approved the Transit and Aviation Implementation Plans, which provides guidance to the Commission for state investment into the public transit systems and Iowa’s publicly owned airports. Copies of the plans are available from the DOT.

**Recreational Trails Projects Recreational Trails Projects**

**Projects Approved** The Commission approved five projects for funding through the recreational trails program. The projects approved include:



* Raccoon River Valley Trail - For acquisition of 58 miles of property from Yale to Herndon and from Herndon to Dawson. The total cost of the project is estimated at $515,000. The Commission approved $386,000 in State funds.
* Clear Creek Greenbelt Trail in Coralville - For development of 0.7 miles of trail on property owned by the University of Iowa. The total cost of the project is estimated at $484,000. The Commission approved $363,000 in State funds.
* Muscatine Riverfront Development American Heritage Trail - To fund access to the trail that meets American with Disabilities Act requirements. The total cost of the project is estimated at $250,000. The Commission approved $125,000 in State funds.
* Trail of Two Cities (Marquette and McGreger) - For continued development of a 16-mile segment between Pikes Peak and Effigy Mounds. The total cost of the project is estimated at $1.5 million. The Commission approved $126,000 in State funds.
* Clay County Motorized Trail Development - For acquisition and development of a trail for off-road vehicles. The total cost of the project is estimated at $182,000. The Commission approved $136,000 in State funds.

**Memo of Understanding DOT/Des Moines Memorandum of Understanding**



 The Commission approved a Memorandum of Understanding between the City of Des Moines and the DOT regarding construction of the north/south segment of the Martin Luther King Jr. Parkway corridor. The Memorandum of Understanding establishes an agreement by which the DOT shall provide up to $11.0 million to the City of Des Moines to assist in the completion of the north/south segment. In exchange, the City will contribute up to $11.0 million to the DOT’s federal aid match requirements for the reconstruction of I-235. The Department’s assistance is contingent upon the City completing the north/south segment of the Martin Luther King Jr. Parkway corridor by the end of calendar year 2003.

**Intelligent Transportation Intelligent Transportation Projects**

 The Commission approved nine projects with costs totaling $6.6 million as part of an Intelligent Transportation System (ITS) initiative. The projects will be funded with a combination of 80.0% federal and 20.0% State funds. Many of the projects will be implemented over a five-year period. The projects are summarized below:

* Statewide ITS Marketing and Education: $875,000
* ITS Weather Information on the DOT Web Site: $1.0 million
* DOT Statewide Communication Plans: $300,000
* Red Light Running Demonstration Pilot Project – Dubuque: $100,000
* Integrated Database Development and Packaging: $500,000
* Incident Warning System Pilot Project – Interstate 74 Bridge in Quad Cities: $600,000
* Automated Bridge De-icing Pilot Project – Interstate 380 in Cedar Rapids: $600,000
* Enhanced Processing of Crash Data: $2.0 million
* National Model Expansion for Highway Safety: $600,000

STAFF CONTACT: David Reynolds (Ext. 16934)

FY 2001 Budget Requests - Department of Human Services



**Council Meeting** The Council on Human Services met September 14 and 15 and approved the FY 2001 Department of Human Services (DHS) budget request for submission to the Governor and the General Assembly. The Department is requesting $827.3 million from the State General Fund, an increase of $52.1 million compared to estimated FY 2000. This request includes retention of $21.4 million of federal Medicaid dollars previously transferred to the State General Fund. If the Department did not retain the federal funds to offset the FY 2001 budget, the request would be an increase of $73.5 million. The request does not include the FY 2001 increase of $3.6 million for mental health allowable growth approved by the 1999 General Assembly. Accounting for the mental health allowable growth and the reduction to State General Fund revenues, the total FY 2001 request is an increase of $77.1 million (9.7%) compared to estimated FY 2000. The following is a summary. Further detail will be provided in separate documentation by the Legislative Fiscal Bureau.

**Economic Assistance** Economic Assistance:

FY 2001

 ****

* Family Investment Program - $36.5 million, an increase of $1.4 million compared to the estimated FY 2000 appropriation. This includes welfare reform technology initiatives and Electronic Benefits Transfer expansion.
* Emergency Assistance - $10,000, no change compared to the estimated FY 2000 appropriation. The request includes funding to provide maximum grants of $500 to approximately 6,600 low-income families to reduce or prevent homelessness.
* Child Support Recovery Unit - $7.5 million, an increase of $893,000 compared to the estimated FY 2000 appropriation. This includes increases for annualizing the cost of the centralized employer unit, reimbursing the DHS for the federal share of interest earned on child support recoveries, and information technology initiatives. This also includes a decrease to offset increased federal incentives.

**Medical Services** Medical Services:



* Medical Assistance - $439.5 million, an increase of $24.0 million compared to the estimated FY 2000 appropriation. This includes nursing home reimbursement rate increases, dental reimbursement rate increases, program postage, 12-month continuous eligibility, presumptive eligibility for children, increased eligibility guidelines for pregnant women, increased eligibility guidelines for medically needy individuals, expanded home health care for special needs children, habilitative day care for special needs children, coverage of smoking cessation products, expansion of supportive employment and respite services, increased community mental health center funding, and assumption of county costs related to brain injury. The request also includes a decrease of $21.4 million to redirect federal funds from the State General Fund to the DHS and a decrease of $9,000 to provide 24-month eligibility for family planning.
* Medical Contracts - $8.7 million, an increase of $1.1 million compared to the estimated FY 2000 appropriation. This includes increases in the cost and scope of contractual services and funding for child health specialties in specified Medicaid services.
* Health Insurance Premium Payment Program - $401,000, an increase of $3,000 compared to the estimated FY 2000 appropriation. This includes increased insurance premium costs.
* State Supplementary Assistance - $20.5 million, an increase of $35,000 compared to the estimated FY 2000 appropriation. This includes reimbursement rate increases for residential care facilities and in-home health providers.
* Child Health Care Program - $12.7 million, an increase of $2.4 million compared to the estimated FY 2000 appropriation. This includes funding to increase the eligibility guidelines from 185.0% to 200.0% of the federal poverty level and to provide 12-month and presumptive eligibility. The request also includes restoration of a one-time FY 2000 funding reduction due to anticipated reversions which the General Assembly allowed the DHS to carry forward.



**Adults, Children, Families** Serving Adults, Children, and Families:

* Child Care Services - $5.1 million, no change compared to the estimated FY 2000 appropriation. The request includes the use of $75,000 of Temporary Assistance to Needy Families (TANF) funds to initiate a management information system for child care.
* Iowa Juvenile Home at Toledo - $6.6 million, an increase of $175,000 compared to the estimated FY 2000 appropriation. This includes inflation, maintenance and licensing of information technology, and creation of an electronic medical records system.
* State Training School at Eldora - $11.0 million, an increase of $1.1 million compared to the estimated FY 2000 appropriation. This includes inflation, continuation of opening cottage costs, expansion of aftercare, maintenance and licensing of information technology, creation of an electronic medical records system, and expansion of security personnel.
* Child and Family Services - $114.0 million, an increase of $6.5 million compared to the estimated FY 2000 appropriation. This includes increases for adjustments in federal matching rates, increased caseloads and service levels, replacement of funds received in FY 2000 from the Disproportionate Share Program for accountability activities, replacement of federal funds expiring in FY 2001 for permanency plans for foster care, transition of 34 boys from the Iowa Juvenile Home in Toledo, funds to match additional available funds for safe and stable families, school-based supervision at 52 additional sites, post adoption services, foster care training, an attorney for processing abuse expungement requests, and juvenile detention funding. This also includes decreases for changes in federal matching rates, adjustments in the percentage of children eligible for federal funds, changes in funding sources for contract foster homes, decategorization services, and female juvenile day treatment services. The request does not include replacement of anticipated loss of federal funding for the Medicaid portion of the Rehabilitative Treatment Service component based upon proposed percentages from the Iowa DHS when the State Plan was submitted to the federal government. Although many of the federal percentages are not yet known, typically the DHS adjusts the future year funding requests on the most recent estimate. In this case, however, an adjustment and respective funding request were not made.

FY 2001

 ****

* Community Based Services - $1.0 million, a decrease of $32,000 compared to the estimated FY 2000 appropriation. This decrease is to eliminate the teen pregnancy prevention evaluation contract for FY 2001.
* Family Support Subsidy – $2.2 million, an increase of $400,000 compared to the estimated FY 2000 appropriation. This includes a cost of living increase and subsidy payments for an additional 100 children.
* Reactive Attachment Disorder – The Department request eliminates funding for this FY 2000 appropriation of $60,000.

**MH/MR/DD** Serving Persons with Mental Health/Mental Retardation/Developmental Disabilities (MH/MR/DD):



* Conners Training - $46,000, no change compared to the estimated FY 2000 appropriation.
* Mental Health Institute at Cherokee - $13.6 million, an increase of $732,000 compared to the estimated FY 2000 appropriation. This includes inflation, additional staffing for the Physician Assistant Program, maintenance and licensing of information technology, and creation of an electronic medical records system. Intent language is to be included requiring participants to serve in Iowa for two years upon completion of the Physician Assistant Program or repay the costs of the Program.
* Mental Health Institute at Clarinda - $7.4 million, an increase of $155,000 compared to the estimated FY 2000 appropriation. This includes inflation, maintenance and licensing of information technology, and creation of an electronic medical records system.
* Mental Health Institute at Independence - $18.3 million, an increase of $529,000 compared to the estimated FY 2000 appropriation. This includes inflation, maintenance and licensing of information technology, and creation of an electronic medical records system.
* Mental Health Institute at Mount Pleasant - $5.6 million, an increase of $157,000 compared to the estimated FY 2000 appropriation. This includes inflation, maintenance and licensing of information technology, and creation of an electronic medical records system.



* State Hospital-School at Glenwood - $3.8 million, an increase of $458,000 compared to the estimated FY 2000 appropriation. This includes increases for changes in federal financial participation, inflation, maintenance and licensing of information technology, and creation of an electronic medical records system. This also includes decreases for a $200,000 one-time veto for pharmaceutical unbundling costs, and salary adjustments.
* State Hospital-School at Woodward - $2.5 million, an increase of $62,000 compared to the estimated FY 2000 appropriation. This includes increases for changes in federal financial participation, inflation, maintenance and licensing of information technology, and creation of an electronic medical records system. This also includes decreases for salary adjustments.
* Mental Health/Mental Retardation/Mental Illness Special Services - $121,000, no change compared to the estimated FY 2000 appropriation.
* Developmental Disabilities Special Needs Grants - $53,000, no change compared to the estimated FY 2000 appropriation.
* State Cases - $15.8 million, an increase of $5.7 million compared to the estimated FY 2000 appropriation. This is for additional mental illness caseloads.
* Community Mental Health and Mental Retardation Fund - $19.6 million, no change compared to the estimated FY 2000 appropriation when combining the separate budget units for the increase approved by the 1999 General Assembly.
* Personal Assistance - $364,000, no change compared to the estimated FY 2000 appropriation.

FY 2001

 ****

* Sexual Predator Commitment Program - $1.8 million, an increase of $265,000 compared to the estimated FY 2000 appropriation. This includes additional contracting costs with the Department of Corrections, staffing for additional clients, creation of an electronic medical records system, fiber and server network technology costs, and remodeling costs for additional space. The DHS has notified the Legislative Fiscal Bureau on behalf of the Legislative Fiscal Committee that the FY 2000 need has decreased by $267,000. If action is taken to reduce the FY 2000 appropriation, the FY 2001 request then reflects an increase of $532,000.

**Administration**  Managing and Delivering Services:

* Field Operations - $54.9 million, an increase of $3.0 million compared to the estimated FY 2000 appropriation. This includes increases for money to pay a federal fine for food stamp program errors and maintenance and licensing of information technology. This also includes a decrease for reallocation of FTE positions.
* General Administration - $17.5 million, an increase of $3.1 million compared to the estimated FY 2000 appropriation. This includes technology initiatives designed to improve customer service and data warehousing.
* Volunteers - $126,000, an increase of $7,000 compared to the estimated FY 2000 appropriation. This includes an increase for volunteer coordinator reimbursements.

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

Meeting of the Legislative Oversight Committee

**Oversight Committee** The Oversight Committee met September 14 at the STARC Armory at Camp Dodge.

**Presentations** The Committee heard presentations on and discussed the following:



* Rhonda Kirkpatrick, Manager, Examinations Section, Department of Revenue and Finance, gave an update on the status of negotiations with NCR, Inc., related to the performance-based contract for tax collections. Over the three year and six month life of the project the Department estimates an increase of collections of $25.0 million. Of this, NCR, Inc., will be paid approximately $13.0 million for identifying the firms and individuals not paying appropriate amounts of taxes. The contract is expected to be finalized by October 1. These are taxes that the Department currently does not collect from all sources of tax receipts.
* Steve Kuntz, National Accounts Manager, NCR, Inc., gave an update concerning negotiation of the contract with the Department of Revenue and Finance to identify companies and individuals that are not paying or are underpaying their taxes. The company has done a similar project in Texas. The front-end costs of the project will be borne by the company, and as collections are made, the company will be paid a percentage of the receipts. The percentage ranges from 80.0% to $25.0%, decreasing over the life of the contract. At the end of the contract, the rights to any databases and software applications generated will stay with the Department of Revenue and should allow the continued collection of an estimated $10.0 million annually in delinquent taxes.
* A status report by Richard Varn, Chief Information Officer, Information Technology Services Division, Department of General Services. The report included information related to:
* Constituent Services software that can be available to legislators.
* Contracts for services from Iowa Interactive and IBM, Inc., to continue the development of IowAccess. The IowAccess Network goal is to create a single electronic government gateway that would give customers the ability to access multiple levels of government on a 24-hours-a-day, 7-days-a-week basis. Provision of government services through the Internet has been the main focus of this effort.
* The Transition Team and its consultant related to the creation and structure of a new Department of Technology. The consultant’s report is due September 15.
* An on-demand storage and retrieval system for educational usage and the various media applications that can be included in it.
* Charles Wright, Director of Legal Affairs, presented a Year 2000 Status Report from the State Board of Regents that indicates the Regents institutions will be Year 2000 compliant and should have no disruptions to their computer systems.



 **Year 2000**

* Paul Carlson, Project Coordinator, Year 2000 Project Office, presented a Year 2000 Status Report for the Iowa Executive Branch. The report indicated that all essential mainframe and mid-range computer systems are now compliant. Additionally, Mr. Carlson presented a report entitled Enterprise Information Technology, Process Integrity/Improvement Report. The report includes discussion of processes that should be implemented in State computer technology.
* Harold Thompson, Chief Operating Officer, gave an update on the Iowa Communications Network (ICN) efforts related to the filing of an appeal of the ruling by the Federal Communications Commission, ATM conversion of the ICN and related scheduling problems that developed with the implementation of a new scheduling software package, and the monthly financial report. Most of the scheduling problems have been resolved and the remaining problems should be resolved in the next two weeks.

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

Partners for Progress Meeting

**Partners for Progress** Partners for Progress, the Reinventing Iowa State Government Leadership Team, met September 16. Agenda items included:

**Communication Plan** I. Revised Communication Plan/Web Site Development – Revisions to the communications plan were reviewed. Comments regarding revisions included:

 **PLAN**

* A request was made to the marketing team to inventory all newsletters currently being distributed to all State employees and make recommendations regarding consolidation.
* The importance of internal communications occurring on three levels was noted: 1) communications from the Governor, 2) communications from agency management, and 3) communications from the Unions and with individual employees.

**Goals & Strategies** II. Review Goals & Strategies – The Team received a copy of the Partners for Progress strategies, as they had been identified at the August meeting. The strategies are:

1. Develop a communication effort that will build awareness, highlight successes, report progress and gain commitment to continuously improve the results we achieve.
2. Serve as a key resource to the Department of Personnel to build a leadership academy (executive, mid-level and front-line) that will build the capacity to achieve a culture of continuous improvement.
3. Implement Malcolm Baldrige criteria to measure progress in building a culture of continuous improvement that achieves results for Iowans.
4. Develop avenues to continuously identify improvement opportunities, implement projects, measure, and document results.
5. Serve as a resource to the Accountable Government Enterprise Planning Team as they implement goals and strategies related to achieving a Continuous Quality Improvement culture that achieves results valued by Iowans.

**Baldrige Model** III. Baldrige Implementation Team Update - The Baldrige model was reviewed.

* Iowa state government will be using Baldrige or Baldrige-like criteria as a tool to assist agencies in assessing organizational performance to achieve improved results.
* The Baldrige assessment process should be adapted to fit the needs of Iowa state government. This includes renaming the criteria to match our seven guiding principles. The initiative includes seven components: 1) awareness, 2) education, 3) capacity building, 4) assessment process, 5) gap identification, 6) charter the improvement, 7) implement improvement.
* The question was raised: How do the Malcolm Baldrige and Governing Magazine Criteria link? The Governing criteria can serve as an indicator as to how well we are achieving the Baldrige. Governing criteria measures Iowa against other states (important for federal funding) and Baldrige criteria measures Iowa against best organizational practices (important for receipt of grant moneys). In addition, the Report Card will measure State government’s performance against the expectations of citizens.

**Next Meeting** The next meeting of the Partners for Progress is scheduled for October 21.

STAFF CONTACT: Valerie Thacker (Ext. 15270)

Department of Commerce - Banking Board Meeting

**Board Meeting** The Department of Commerce’s Banking Division Board met September 22 at the Banking Division Office.

**FY 1999 Expenditures** The Banking Division reported expenditures of approximately $5.8 million in FY 1999 and was approximately $24,000 under budget.

FY 2001

 ****

**FY 2001 Budget** The Division submitted its FY 2001 budget request to the Board. The Division is requesting an appropriation of approximately $5.8 million, an increase of approximately $180,000 compared to estimated FY 2000. The increase is replacement costs for 60 notebook computers for the Division’s field examiners.

**Next Board Meeting** The next Board meeting is scheduled for October 20 at the Division’s Office.

STAFF CONTACT: Shawn Snyder (Ext. 16765)

Underground Storage Tank Board Chooses New Administrator



**Board Meeting** The Underground Storage Tank (UST) Board voted unanimously on September 23 to hire Aon, Inc., as the administrator of the UST Program, beginning January 1, 2000. Aon will replace Williams and Company, which has administered the UST Program since its inception in 1989. The Board also decided to enter into a separate contract with Aon to provide assistance to the UST Insurance Board with that Board’s duties related to privatization of the UST Insurance Program.

**New Administrator** Robb Hubbard, who held the original position of Administrator with the UST Program in the early 1990’s, is a Vice-President with Aon. The position of UST Administrator will be filled by Scott Scheidel of Aon. Aon will retain General Accounting Bureau (GAB) as the claims processor.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Aviation Transportation in Iowa Study Committee Meeting

**Interim Committee** The Aviation Transportation in Iowa Study Committee held its second and final meeting on September 16. The Committee heard testimony from several Iowa airports, Northwest Airlines, and the Departments of Transportation and Economic Development.

**Committee Charge** The charge of the Committee is to review all issues concerning aviation transportation in Iowa. The study shall include proposals for establishing an Iowa office of aviation and a Governor's council for air service development to provide leadership concerning aviation service in this State.

**Recommendations** The Committee voted to make five recommendations. A synopsis of the recommendations follows. The full text of the recommendations is available from the Legislative Service Bureau. The recommendations include:

1. The creation of an Aviation Division within the Department of Transportation and establishment of a statewide Council on Air Service.
2. The Department of Economic Development be directed to explore all possible sources of financial investment and assistance for Iowa-based airlines.
3. The Departments of Economic Development and Transportation present a report to the General Assembly by December 15, 1999, which identifies additional initiatives which would stimulate air service competition in Iowa.
4. The Council on Air Service should examine the commercial aviation needs of the State and provide recommendations.
5. A review of the funding formula for airports and the definition of Vertical Infrastructure within the Rebuild Iowa Infrastructure Fund (as it relates to airports).

 LSB Staff: Tim McDermott and Nicole Haatvedt

LFB Monitor: Jeff Robinson (Ext. 14614)

Increasing Use of Motor Oxygenate Enhancers Interim Study Committee Holds Meeting



**Interim Study Committee** The first meeting of the Increasing Use of Motor Oxygenate Enhancers Interim Study Committee was held on September 16 at William Penn College in Oskaloosa. The meeting was co-chaired by Senator Merlin Bartz and Representative Ralph Klemme. The following presentations were made:

* Doug Adkisson, Legislative Service Bureau, gave an overview of Iowa law relating to motor vehicle fuel. Chapter 214A in the Code of Iowa describes the regulation of motor vehicle fuel that is administered by the Department of Agriculture and Land Stewardship. Chapter 452A in the Code of Iowa addresses Motor Fuel Taxes and includes tax rates, related taxes, revenue sources, and expenditures.
* Dave Reynolds, Legislative Fiscal Bureau, provided a historical background on the Motor Fuel Tax Rates. The tax on gasoline was established in 1926 at a rate of two cents per gallon. The current tax is 20.0 cents per gallon on gasoline, 22.5 cents per gallon on diesel, and 19.0 cents per gallon on ethanol.
* Patricia Paustian, Department of Agriculture and Land Stewardship, provided an overview on the Office of Renewable Fuels. In 1998, ethanol had a 44.0% market share of all gasoline sold in Iowa. An overview of ethanol production facilities receiving assistance grants was included in the presentation.
* Jon Muller, Iowa Farm Bureau Federation, gave a presentation on the economic impact of ethanol production. He sited conclusions from a study conducted by Iowa State University, which included:
* Corn prices would increase by two cents per bushel.
* Retail fuel prices would not increase.
* A new ethanol production facility would be constructed to meet the increased demand. This would add 1,100 jobs to the economy and $67.2 million in new valued-added product sales.
* There would be an additional $2.5 million in sales and income tax revenue.
* Ron Litterer, Iowa Corn Growers Association, discussed the importance of an ethanol mandate. He discussed the federal Reformulated Gasoline Programs in Chicago and Milwaukee, where ethanol is the fuel used by the city governments, and the favorable acceptance of this program.
* Mike Graboski, Colorado School of Mines, discussed the environmental benefits of ethanol. His presentation concluded that the use of an oxygenate in gasoline decreases aromatics, carbon monoxide, particulate matter, and ozone with regard to air quality. He explained that the use of ethanol was favorable with regard to water quality, as it is biodegradable. Additives such as methyl tertiary butyl ether (MTBE) are non-biodegradable and pollute groundwater.



* Eric Vaughn, Renewable Fuels Association, discussed the phase out of MTBE in California due to the groundwater pollution problems. It is estimated that 1.6 billion gallons of MTBE gasoline will be shifted from use in California to other states in the next three years.

California

* Dave Smitherman, Petroleum Marketers of Iowa, discussed how the American Petroleum Institute supports the removal of oxygenates from fuel. The Institute estimated more time would be needed to reduce MTBE gasoline supplies.
* Eric Johnson, Cargill Industries, gave a brief overview of the operations conducted at the Cargill plant located in Eddyville. The Interim Study Committee was invited to tour the facilities.

**Plant Tour** Upon adjournment, several members of the Interim Study Committee toured the Cargill plant in Eddyville. Cargill staff made a short presentation on the production of ethanol. The group toured the fermenting process of the plant.

**Next Meeting** The final meeting will be held on October 8 in Le Mars. The Committee will discuss and approve legislative proposals to be submitted to the 2000 General Assembly. The meeting will include a tour of a local refinery.

LSB STAFF CONTACT: Doug Adkisson (Ext. 13884)

LSB STAFF MONITORS: Deb Kozel (Ext. 16767) Dave Reynolds (16934)

Department of Natural Resources Requests 8.39 Transfer

****

**Appropriations Transfer** The Legislative Fiscal Bureau received final notice of a transfer of FY 1999 funds by the Department of Natural Resources as required by Chapter 8.39, Code of Iowa. The Department intends to transfer a total of $85,000. The following Divisions will be affected:

* The Administrative Services Division will receive $85,000.
* The Parks Division will transfer out $5,000.
* The Forestry Division will transfer out $15,000.
* The Energy and Geology Division will transfer out $65,000.

**Rationale for Transfer** The transfer to the Administrative Services Division is necessary due to the reconfiguration of office space for additional staff. The Parks and Forestry Divisions will transfer out funds since receipts were higher than budgeted. The Energy and Geology Division will transfer out funds due to a number of vacancies in the Division throughout the year. This includes livestock personnel that were not employed until 1999.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Office of State - Federal Relations Director Named

**New Director** On August 11, Philip Buchan was named as Director of the Iowa Office of State – Federal Relations. Mr. Buchan replaces Phil Smith, who resigned on May 14, 1999.

**State/Federal Office** During the 1999 Legislative Session, the Administration and Regulation Appropriations Act moved the Office of State – Federal Relations to the Office of the Governor. The Office of State – Federal Relations received an appropriation of approximately $274,000 and 3.0 FTE positions for FY 2000, which is no change compared to FY 1999.

STAFF CONTACT: Shawn Snyder (Ext. 16765)

*Issue Review* Released - State Aviation Assistance Programs



***Issue Review*** The Legislative Fiscal Bureau (LFB) recently completed an ***Issue Review*** on the Iowa Aviation Assistance Program. The ***Issue Review*** discusses the various State assistance programs available for Iowa’s commercial and general aviation transportation systems and the projected capital improvement needs at both commercial service and general aviation airports.

**Iowa Airports** Iowa has 113 publicly owned airports located throughout the State and approximately 2,300 Iowa-based aircraft. Of the total airports, 10 provide commercial passenger service, while the remaining airports provide varying levels of service to businesses and to the general public for recreational purposes.



**Appropriations** Within the Department of Transportation there are three separate appropriations that provide State financial assistance to Iowa’s airports. These include the General Fund Aviation Assistance Appropriation, Commercial Air Service Infrastructure Appropriation, and the General Aviation Infrastructure Assistance Program. For FY 2000, these appropriations total $4.0 million.

**Financial Assistance** The Department of Economic Development and the Des Moines Area Community College have provided financial assistance to a commercial service provider, AccessAir, through the Physical Infrastructure Assistance Program, and the Job Training Program.

**AccessAir** The Department of Economic Development has awarded AccessAir a total of $4,550,000 in loans and forgivable loans between FY 1997 and FY 1999 from this Program. In addition to the Physical Infrastructure Assistance Program, the Department awarded AccessAir a grant of $200,000 through the Strategic Investment Fund to conduct a feasibility study of establishing an Iowa based airline that could compete with the larger air carriers, and the Des Moines Area Community College awarded a job training grant to AccessAir in FY 1998 in the amount of $1,300,000.

**Capital Improvement Needs** The ***Issue Review*** also discusses the airport capital improvement needs at commercial service and general aviation airports. The costs are projected for 20 years and are used by the DOT for planning purposes only.

**Copies Available** Copies of the ***Issue Review*** are available upon request from the LFB.

STAFF CONTACT: David Reynolds (Ext. 16934)

EMERGENCY COOLING FUNDS - FY 1999 LIHEAP



**Additional Funds Received** The State of Iowa received emergency cooling money in addition to the regular assistance grant that the local community action agencies receive for heating and cooling purposes. Of the $3,498,425 received in emergency cooling money, $349,764 was divided among the 18 community action agencies based upon population. If the dollar amount allocated to the local agency is not used by the end of the federal fiscal year, the money is reverted back to the State level for the redistribution of those dollars for the following year. According to the Director of Community Action Agencies, $92,650 of the assistance money has been used thus far.

STAFF CONTACT: Jennifer Dean (Ext. 14613)

Department of Public Health notified of possible reduction in Substance Abuse Block Grant Funds



**Possible Loss of Fed Funds** On September 17th, the U.S. Department of Health and Human Services sent a letter to the Iowa Department of Public Health and six other states (Delaware, Minnesota, Missouri, Rhode Island, Oregon and Wyoming) informing them that the U.S. Department believes that they have failed to achieve the target negotiated for reduction in the rate of retail sales of tobacco to minors.

**Hearing** The Department of Public Health will be appealing the decision by requesting a review under the hearing process. If after the hearing a determination of noncompliance is made, the penalty will be $4.8 million, which is 40.0% of the State's $11.9 million FY 1999 Substance Abuse Block Grant (SABG) allotment. The reduction would either be paid back from FY 1999 funds or carried forward as a reduction to the FY 2000 grant.

STAFF CONTACT: Valerie Thacker (Ext. 15270)