FISCAL UPDATE January 16, 2001

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

 <http://staffweb.legis.state.ia.us/lfb/>

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Legislative Fiscal Bureau Launches New Web Site

**New LFB Web site** The Legislative Fiscal Bureau has launched a new web site, designed to provide timely, useful information to legislators, staff, and the general public. The site’s address is: <http://staffweb.legis.state.ia.us/lfb/> and can also be accessed from the Legislative Fiscal Bureau link on the General Assembly’s web site.



**Site Features LFB Products** – Features of the new site include on-line access to all of the LFB’s publications:

* Budget Analysis, the LFB’s analysis of the Governor’s budget recommendations for FY 2002.
* Fact Book, a compendium of fiscal facts about the State of Iowa.
* Fiscal Notes, including Fiscal Notes for previous legislative sessions.
* Fiscal Update, the LFB’s newsletter.
* ***Issue Reviews***, reports prepared by the LFB in regard to issues of interest to the General Assembly.
* Presentations, a collection of PowerPoint presentations prepared on a wide variety of subjects.
* Tracking, the LFB’s record of appropriations by committee and by bill.
* Revenue/Debt, which includes the Monthly Revenue Memo, Daily Receipts, Balance Sheet, and other information on the State’s current financial status.

**Additions** As the legislative session progresses, two additional products will be available on-line:

### NOBA

* Notes on Bills and Amendments, a detailed analysis of appropriations bills and related amendments as they progress through the legislative process.
* Fiscal Report, a detailed analysis of enacted appropriations legislation, including explanation of the Governor’s vetoes.

**Hard Copies Still Provided** The LFB will continue to produce and distribute hard copies of most of its products. We hope that legislators and others will find on-line access a time-saving and convenient option.



**Committee Information Committee Information** – The new site includes information on each of the appropriations subcommittees, including links to members’ web pages, staff e-mail, and related department and agency web sites. Subcommittee agendas, minutes, and handouts are also available.

 In addition, information is included for several standing committees in both chambers: Education, Ways and Means, Appropriations, Oversight, and Fiscal Committee.

**Search Search Capability** – The site’s search engine is being developed in stages and will ultimately allow keyword searching of all the LFB’s products.

**Future Developments Future Plans** – The LFB will continue to make improvements and add features to the web site. Visitors may find pages under construction from time to time and may experience occasional delays related to new hardware.

**Suggestions Welcome** The LFB staff welcomes suggestions for expanding and improving the web site.

STAFF CONTACT: Robin Madison (Ext. 15270) Jennifer Dean (Ext. 17846)

Governor’s FY 2002 Budget

**Governor’s Budget** The Governor's FY 2002 General Fund appropriation recommendation is $5.020 billion, an increase of $137.4 million (2.8%) compared to estimated FY 2001 (prior to any FY 2001 appropriation adjustments).

**Gov.**

**FY 2002**

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**FY 2001**

* The Governor is recommending $42.0 million in a FY 2001 General Fund supplemental appropriation for K-12 teacher salaries. This increase in the Governor’s FY 2001 spending results in a lower increase of FY 2002 growth to $95.4 million (1.9%) compared to estimated FY 2001. If these funds were appropriated in FY 2002 the increased growth in expenditures would be $179.4 million (3.7%) compared to estimated FY 2001.
* The Cash Reserve Fund and the Economic Emergency Fund is at the maximum balance of 5.0% of the General Fund revenue estimate or $242.9 million in each Fund. An excess of $149.6 million is to be transferred from the Economic Emergency Fund to the General Fund in FY 2001.

**FY 2002**

* The Governor’s FY 2002 General Fund budget recommendation proposes revenue changes resulting in a net revenue increase of $69.5 million. The two largest revenue changes are increase revenues by $70.0 million by changing **gaming receipts** transfer from $60.0 million to $130.0 million, and decrease revenues by $32.5 million by depositing **lottery revenue** into the Rebuild Iowa Infrastructure Fund (RIIF) account. Between these two changes an additional $37.5 million will go to the General Fund.
* Other major proposed revenue changes in the Governor’s FY 2002 General Fund budget recommendation are listed below:

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$9.9 million of additional revenue from **the Groundwater Fund Transfer**. The Governor has proposed that the Groundwater Protection Fund be merged into the Environment First Fund. The Department of Management estimates that this could allow an increase in General Fund revenues for FY 2002 due to the fact that the large balance of cash in the Groundwater Protection Fund would not be needed for cash flow purposes.



$9.4 million of additional revenue from **the Accelerated Tax Gap Project**. The Governor is recommending that the Department of Revenue and Finance (DRF) accelerate the Tax Gap Compliance Project (DRF has partnered with a vendor to identify potential tax non-compliance). It is proposed that the DRF’s vendor in the project would dedicate additional staff to accelerate the production of tax gap leads. In addition, the DRF would dedicate additional resources for collection. This is a one-time increase in revenues by moving anticipated revenue from FY 2003 to FY 2002.

$3.0 million ($1.0 million in FY 2001) of additional revenue from the **Waste Tire Management Fund**. The fund receives moneys from motor vehicle title surcharge fees and will sunset at the end of fiscal year 2002. The Code of Iowa provides that as the program begins to sunset, the revenues go to the Road Use Tax Fund. The Governor proposes that the motor vehicle title surcharge fees be deposited in the General Fund.

The Governor’s FY 2002 General Fund budget recommendation does not include funding for **salary increases** or annualization. Collective Bargaining negotiations are currently under way. The annualization cost for salaries will be high due to health insurance premium increases and the increased number of mid-year step increases. If the cost of salary increases and annualization are the same as FY 2001 costs, there will be an additional 0.9% growth in appropriations. Depending upon the collective bargaining settlements, the annualization cost could be up to an additional 2.0% growth in appropriations.

* The Governor’s projected ending balance for FY 2002 is $143.7 million compared to $93.5 million in FY 2001, an increase of $50.2 million. The Governor’s recommendation projects that an excess of $71.8 million will be transferred from the Economic Emergency Fund to the General Fund in FY 2002. This is a decrease of $77.8 million compared to the FY 2001 transfer.

**Increases/Decreases Table 1** lists the General Fund increases and decreases of $1.0 million or more recommended by the Governor for FY 2002.

**Table 1 - Governor’s Major General Fund Decreases/Increases Recommendations**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | Estimated |  | **Gov. Rec.** |  | **Diff. Gov. Rec.** |  | **% Change** |
| **Department** |  | **Appropriation** |  | **FY 2001** |  | **FY 2002** |  | **v. FY 2001** |  | **Gov. v. FY01** |
| Revenue  |  | Machinery/Equip Prop Tax  |  | $ 41,400,000 |  | $ 27,800,000 |  | $ -13,600,000 |  | -32.9% |
| Revenue  |  | Municipal Fire & Police Retire  |  | 2,942,726 |  | 0 |  | -2,942,726 |  | -100.0% |
| Education |  | National Cert. Stipend  |  | 1,380,000 |  | 0 |  | -1,380,000 |  | -100.0% |
| Education |  | State Library  |  | 3,172,038 |  | 1,819,616 |  | -1,352,422 |  | -42.6% |
| Human Services |  | Glenwood Resource Center  |  | 3,735,483 |  | 2,658,458 |  | -1,077,025 |  | -28.8% |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  | *Total Decreases > $1.0 Million* |  | $ 52,630,247 |  | $ 32,278,074 |  | $ -20,352,173 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| Education |  | School Foundation Aid  |  | $ 1,747,500,000 |  | $ 1,806,500,000 |  | $ 59,000,000 |  | 3.4% |
| Human Services  |  | Medical Assistance  |  | 400,662,028 |  | 436,000,000 |  | 35,337,972 |  | 8.8% |
| Education |  | Early Intervention Block Grant  |  | 20,000,000 |  | 30,000,000 |  | 10,000,000 |  | 50.0% |
| Judicial Branch  | Judicial Branch  |  | 111,913,805 |  | 120,228,487 |  | 8,314,682 |  | 7.4% |
| Human Services  |  | State Children's Health Ins  |  | 4,984,508 |  | 10,807,951 |  | 5,823,443 |  | 116.8% |
| Human Services  |  | MH/DD Growth Factor  |  | 20,982,446 |  | 26,492,712 |  | 5,510,266 |  | 26.3% |
| Human Services  |  | Field Operations  |  | 53,382,055 |  | 58,623,333 |  | 5,241,278 |  | 9.8% |
| Human Services  |  | Child & Family Services  |  | 108,788,161 |  | 113,971,633 |  | 5,183,472 |  | 4.8% |
| Education |  | MAS - General Aid  |  | 147,577,403 |  | 152,577,403 |  | 5,000,000 |  | 3.4% |
| Regents |  | Iowa State: Gen. University  |  | 202,542,309 |  | 205,542,308 |  | 2,999,999 |  | 1.5% |
| Management |  | Federal Over Billing  |  | 0 |  | 2,000,000 |  | 2,000,000 |  | 100.0% |
| Personnel |  | Worker's Compensation  |  | 0 |  | 1,800,000 |  | 1,800,000 |  | 100.0% |
| Human Services  |  | Family Investment Program  |  | 35,545,738 |  | 36,798,958 |  | 1,253,220 |  | 3.5% |
| Veterans Affairs |  | Iowa Veterans Home  |  | 47,300,942 |  | 48,544,881 |  | 1,243,939 |  | 2.6% |
| Human Services  |  | MI/MR State Cases  |  | 13,308,845 |  | 14,500,000 |  | 1,191,155 |  | 9.0% |
| College Aid |  | Tuition Grant Program |  | 48,830,075 |  | 49,930,075 |  | 1,100,000 |  | 2.3% |
| Corrections  |  | CBC District IV  |  | 3,178,085 |  | 4,240,315 |  | 1,062,230 |  | 33.4% |
| Education |  | Enrich Iowa Libraries  |  | 1,000,000 |  | 2,000,000 |  | 1,000,000 |  | 100.0% |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  | *Total Increases > $1.0 Million* |  | $ 2,967,496,400 |  | $ 3,120,558,056 |  | $ 153,061,656 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  | Total Other Changes  |  | $ 1,862,228,675 |  | $ 1,866,947,361 |  | $ 4,718,686 |  | 0.3% |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Grand Total** |  | $ 4,882,355,322 |  | $ 5,019,783,491 |  | $ 137,428,169 |  | 2.7% |



**By Approp. Subcommittee** The Governor’s FY 2002 General Fund recommendations are listed in **Table 2** by Appropriations Subcommittee. Details of the recommendations are included in the FY 2002 Budgets and Subcommittee Issues Section of the summary document, and a tracking document of all the Governor’s appropriations recommendations is in **Appendix A** of that document.

 **Table 2**

 **Governor’s FY 2002 General Fund Recommendations**

 **(Dollars in Millions)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Subcommittee** |  | **Est.****FY 2001** |  | **Gov.****Rec.****FY 2002** |  | **FY 2002****vs.****FY 2001** |  | **%****Change** |
| Administration & Regulation |  | $ 87.2 |  | $ 92.9 |   | $ 5.8 |  | 6.6% |
| Agriculture & Natural Resources |  | 44.5 |  | 39.7 |  | -4.8 |  | -10.8% |
| Economic Development |  | 37.5 |  | 37.4 |  | -0.1 |  | -0.2% |
| Education |  | 980.0 |  | 986.2 |  | 6.2 |  | 0.6% |
| Health & Human Rights |  | 91.2 |  | 93.4 |  | 2.1 |  | 2.3% |
| Human Services |  | 786.1 |  | 845.4 |  | 59.2 |  | 7.5% |
| Justice System |  | 490.8 |  | 506.3 |  | 15.4 |  | 3.1% |
| Trans., Infrastructure, & Capitals |  | 3.1 |  | 3.1 |  | 0.0 |  | -0.1% |
| Oversight & Communications |  | 22.9 |  | 22.8 |  | -0.1 |  | -0.2% |
| Unassigned Standings |  | 2,339.0 |  | 2,392.6 |  | 53.6 |  | 2.3% |
|  TOTAL |  | $ 4,882.4 |  | $ 5019.8 |   | $ 137.4 |  | 2.8% |

Note: The dollar amounts may not add due to rounding.

STAFF CONTACT: Dennis Prouty (Ext. 13509) Glen Dickinson (Ext. 14616)

Governor’s Recommendation for FY 2003 Allowable Growth

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**Gov’s Rec. Allowable Growth** The Governor is recommending that allowable growth be set at 4.0% for FY 2003. The Governor’s projected cost for allowable growth in FY 2003 is estimated at $1,870.0 million, an increase of approximately $63.7 million compared to the estimated FY 2002 allowable growth amount. The Governor has estimated that FY 2002 allowable growth will be $1,806.5 million, an increase of approximately $59.0 million compared to FY 2001. Please note that these totals are subject to change due to the finalization of the Department of Education’s certification of enrollments.

**Statutory Requirement** Allowable growth was set at 4.0% for FY 2002 during the 2000 legislative session. The 2001 General Assembly is required to set an allowable growth amount for FY 2003 within 30 days of the submission of the Governor’s budget.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

FY 2001 AppropriationS REALLOCATION - County Confinement

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**Allocation Transfer** The Legislative Fiscal Bureau received notice of an allocation transfer under Section 904.116, Code of Iowa, which permits the Department of Corrections (DOC) to reallocate the budgeted amount between the Institutions based on performance measures. The DOC is reallocating $500,000 to the County Confinement from the nine Institutions as follows:

* Fort Madison $82,500
* Anamosa $65,500
* Oakdale $59,000
* Newton $62,500
* Mount Pleasant $59,500
* Rockwell City $19,500
* Clarinda $49,500
* Mitchellville $33,000
* Fort Dodge $69,000

**County Confinement Acct.** The County Confinement Account reimburses counties for holding work release, parole, and Operating While Intoxicated (OWI) violators in jail pending a revocation hearing for return to the custody of the DOC. The number of offenders held in jail and the per diem rates charged by the counties have been increasing. During FY 2000, the DOC reimbursed the counties for holding 833 violators (an increase of 12.5% compared to FY 1999) for 13,843 days (an increase of 45.0% compared to FY 1999). Costs for this Account have been increasing since FY 1994. The DOC used a formula, the percentage based on each Institution’s total budget compared to the estimated need for revenue for the County Confinement Account, to reallocate funds from the Institutions. The FY 2001 General Fund appropriation to the County Confinement Account is $524,000. The amount spent through December 2000 is $390,800, or 74.6% of the appropriation.



STAFF CONTACT: Beth Lenstra (Ext. 16301)

Administration and Regulation Appropriations Subcommittee

**Admin./Regulation Sub.** The Administration and Regulation Appropriations Subcommittee met January 10 in the Reagan Conference Room. Senator Neal Schuerer and Representative Scott Raecker were elected as Co-Chairpersons of the Subcommittee for the 79th General Assembly. The Subcommittee also adopted the rules to be followed for the biennium.

STAFF CONTACT: Christina Schaefer (Ext. 16765) Ron Robinson (Ext. 16256)

Agriculture and Natural Resources Appropriations Subcommittee

**Agric./Natural Res. Sub.** The Agriculture and Natural Resources Appropriations Subcommittee met January 10 and conducted the following business:

* Introduction of members.
* Approval of Subcommittee Rules.
* A general discussion of budget issues regarding agriculture and natural resources.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Economic Development Appropriations Subcommittee



**Econ. Development Sub.** The Economic Development Appropriations Subcommittee held an organizational meeting January 10. Members and staff were introduced, and the Legislative Fiscal Bureau Staff (LFB) described the information available on the new LFB Website and other available information. Subcommittee rules were adopted, and the meeting was adjourned.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561) Alice Wisner (Ext. 14611)

Education Appropriations SUBCommittee

**Education Sub.** The Education Appropriations Subcommittee met for an organizational meeting on January 10. Agenda items included:

* Approval of Subcommittee rules.
* Review of the LFB’s new web site. All appropriation subcommittees will now have a page on the LFB Web site.
* Opening remarks by Subcommittee members.
* Highlights and brief discussion of the Governor’s recommendations for FY 2002 given by LFB staff.

STAFF CONTACT: Mary Shipman (Ext. 14617) Robin Madison (Ext. 15270)

HEALTH AND HUMAN RIGHTS APPROPRIATIONS SUBCOMMITTEE

**Health/Human Rts. Sub.** The Health and Human Rights Appropriations Subcommittee held an organizational meeting January 10. Members and staff were introduced, and the Legislative Fiscal Bureau Staff (LFB) described the information available on the new LFB Web site and other available information. Subcommittee rules were adopted, and the meeting was adjourned. The next meeting is scheduled for January 17, at 9:30 am.

STAFF CONTACT: Russ Trimble (Ext. 14613) Lisa Burk (Ext. 16765)

Human Services Appropriations Subcommittee



**Human Services Sub.** The Human Services Appropriations Subcommittee met the week of January 8 and conducted the following business:

* Adopted Subcommittee rules.
* Heard from the Co-Chairs regarding priorities for the Subcommittee.
* Heard from the staff of the Legislative Fiscal Bureau regarding the Governor’s FY 2002 budget recommendations.

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

STAFF CONTACT: Sue Lerdal (Ext. 17794)

Justice System Appropriations Subcommittee

**Justice System Sub.** The Justice System Appropriations Subcommittee met on January 10. The Subcommittee:



* Introduced members of the Subcommittee, staff, and legislative liaisons.
* Adopted rules.
* Reviewed the staff contact list for the Subcommittee.
* Reviewed the Legislative Fiscal Bureau’s new web site.
* Reviewed issues prepared by the Legislative Fiscal Bureau.

**Subcommittee Focus** The Subcommittee plans to focus on program issues and policies with the agencies for the first four weeks of meetings. FY 2002 budget requests will be presented by the agencies at a later time.

STAFF CONTACT: Beth Lenstra (Ext. 16301) Jennifer Dean (Ext. 17846)

Transportation, Infrastructure, and Capitals Appropriations Subcommittee

**Trans., Infra., & Capitals Sub.** The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met January 10. The Subcommittee adopted rules and heard a presentation from the Legislative Fiscal Bureau (LFB). The LFB provided a handout with information concerning the new LFB Web site and presented an overview of the Governor’s FY 2002 recommendations for the Department of Transportation and statewide infrastructure projects.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223) David Reynolds (Ext. 16934)

Oversight and Communications Appropriations Subcommittee

**Oversight & Comm. Sub.** The Oversight and Communications Appropriations Subcommittee met January 10 in the Legislative Dining Room. Senator Mary Lundby and Representative Willard Jenkins were elected as Co-Chairpersons of the Subcommittee for the 79th General Assembly. The Subcommittee members also adopted rules to be followed for the biennium.

**Discussion** The Co-Chairpersons discussed their perspectives on the direction the Subcommittee will take for this Session. Additionally, the Co-Chairs instructed Fiscal Bureau staff to mail a letter to the departments under the Subcommittee and to all individuals that will be presenting information to the Subcommittee instructing them to:

* Have all handouts provided to the members at least 24 hours prior to the presentation.
* Limit presentation time to ten minutes.
* Use visual aids whenever possible and not read the materials to the Subcommittee.

**Goal** The goal is to improve communications and allow sufficient time for members to ask questions of the presenters.

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

Governor’s Vertical Infrastructure Advisory Committee

**Advisory Committee** The Governor’s Vertical Infrastructure Advisory Committee met December 15 and adopted the 2001 annual report, which includes recommendations for the Governor’s consideration. The report also includes prior year accomplishments and policy recommendations of the Committee as well as issues to be addressed by the Committee in 2001.

**Recommendations** The Committee’s recommendations to the Governor include:

* Appropriate $20.8 million to the Department of General Services for major maintenance at State facilities that are under the purview of the Department.
* Appropriate $10.0 million to the Department of General Services for routine maintenance at State facilities that are under the purview of the Department.

**Recommendations**

**Policies** The Annual Report also includes 11 policy recommendations for the Governor’s consideration. The policies are summarized below.

* **Policy 1** – Appropriate $100.0 million from the Economic Emergency Fund to address the most critical health, life, and safety improvements to State facilities.
* **Policy 2** – Appropriate $20.0 million annually until the backlog of deferred maintenance and major maintenance projects at State facilities are sufficiently corrected to eliminate existing hazards to life, health, and safety.
* **Policy 3** – Appropriate $10.0 million annually for routine and on-going maintenance of State facilities, exclusive of building operations.
* **Policy 4** – Allow all unspent appropriated funds for capital and operating purposes to be held by the Department of General Services in a repair account for each State agency and dispensed back to each agency by the Department to meet on-going repair needs.
* **Policy 5** – Require each State agency to identify, within its five-year capital budget request, specific instances where the failure to address deferred maintenance has had a negative impact on the agency’s ability to implement its mission.
* **Policy 6** – Require each State agency to identify, within its five-year capital budget request, costs for annual routine and preventive maintenance based on the industry standard of 1.0% of the estimated replacement cost of the agency’s facilities.
* **Policy 7** – Require agencies not accepting definitions of the Advisory Committee to be ineligible for capital appropriations. This policy remains listed in the Annual Report but was deleted by the Advisory Committee in February 2000. The Committee intends to review this policy again in 2001.



* **Policy 8** – Prohibit appropriations from the Rebuild Iowa Infrastructure Fund for new construction until: a) the deferred maintenance needs are identified and a plan established to correct the deficiencies within 5 years, and b) a cost/benefit analysis is completed showing it is more economical for the State to own rather than lease the facility.
* **Policy 9** – Require State agencies with access to matching Federal funds to actively pursue all avenues for such funds and clearly indicate the match in budget requests for State monies to pay for major maintenance or new construction projects. Such agencies would be required to demonstrate their attempts to secure federal matching funds as a condition of eligibility for major maintenance or new construction projects.
* **Policy 10** – Update the database of State agency infrastructure conditions at least annually in order to provide a reliable, current information source on which to base future capital requests.
* **Policy 11** - Recommend the Governor include modifications to the Code of Iowa to align existing statutory provisions pertaining to infrastructure with the above policy recommendations. The Advisory Committee has delayed final action on this policy statement.

**Targeted Issues** The Annual Report also identifies eight Targeted Issues that the Committee will address in 2001. The issues include:

* Continued discussion of addressing health/life safety projects.



* Methods for addressing improvements for compliance with the Americans with Disabilities Act requirements.
* Asbestos remediation.
* Alternative funding for electrical distribution systems.
* Needed upgrades to deteriorating utility and pedestrian tunnels that are essential to the operation of many State facilities.
* Preservation and on-going maintenance of State monuments.
* Identify ways to address miscellaneous projects which include those that have been placed on hold because they lack the urgency or size that would bring them to the top of the competitive review process. This includes demolition projects, planning and design projects, and other projects not meeting the criteria for routine maintenance.

STAFF CONTACT: David Reynolds (Ext. 16934)

FINAL MEETING OF THE COMMISSION ON REPLACEMENT FUNDING FOR ELIMINATION OF THE PROPERTY TAX ON INDUSTRIAL MACHINERY, EQUIPMENT, AND COMPUTERS



**Commission Meeting** The Commission on Replacement Funding for Elimination of the Property Tax on Industrial Machinery, Equipment, and Computers held its final meeting on January 9 at the State Capitol building. Representative Bradley discussed what the subcommittee had considered. Alice Wisner of the Legislative Fiscal Bureau briefly outlined two alternatives to determine the communities most adversely affected by Machinery & Equipment (M&E) valuation loss, the difficulties in obtaining reliable data, and the concerns from local government officials with data that was used.

**League of Cities Position** Tracy Kasson from the League of Cities handed out a position paper containing the recommendation to allow communities with a certain percentage of machinery and equipment in the tax base as of January 1, 1994, to institute a levy to make up for this lost revenue for ten years if approved by the local governing body.

**Items for Consideration** Senator McKibben presented items for consideration by the General Assembly. They were:

* Leave current law in place and allow those levy authorities most adversely affected by M&E valuation loss as determined by meeting specific factors, to temporarily exceed their statutory property tax rate limit for the general fund if the increase has been approved by a vote of the people and allow those same levy authorities to receive state replacement dollars beyond 2006 for a stated period of time.
* Change the replacement formula to compute claims based on levy authority rather than taxing district. This would provide options such as creating a special fund to enhance replacements to those communities most adversely affected by the loss of M&E valuation, or would allow an extension of the replacement program.
* Enact a property tax limitation which removes levy rate limits and instead limits the total number of dollars available to a city or county each budget year. Such a limitation would mitigate the effects of a phaseout of the property tax on M&E by allowing cities and counties to make up for losses of revenue caused by taxable valuation loss and to allow budgets to grow by the rate of inflation regardless of valuation gain or loss.

**Commission Action** These considerations were passed by the Commission.

LFB STAFF CONTACT: Alice Wisner (Ext. 14611)

LSB STAFF CONTACT: Mike Goedert (Ext. 13922) Susan Crowley (Ext. 13430)

Environmental Protection Commission Holds Meeting

**Commission Meeting** The Environmental Protection Commission held a telephone conference meeting January 2. The following issues were discussed:

* Mike Valde, Administrator of the Environmental Protection Division, asked the Commission to approve a contract with Trench and Associates for $100,000 for educational materials on floodplain management. The company will provide the Department of Natural Resources with a detailed reference book, a summary reference book, an online information package, and materials to provide workshops on floodplain management. The Department will duplicate the reference book materials for distribution to cities and towns in Iowa. The contract will be funded with money from the Environment First Fund.

* Lyle Asell, Interim Director, asked the Commission to approve the Department’s legislation proposals for the 2001 Legislative Session. They include the development of a solid waste tonnage fee for transfer stations and changes to legislation regarding animal feeding operations. The Commission approved the proposals. The Commission then agreed to support the expansion of the beverage container law and will further discuss this item during the January meeting.

**Next Meeting** The next meeting will be January 16, in Des Moines. The Commission will sponsor a Legislative breakfast on January 17.

STAFF CONTACT: Deb Kozel (Ext. 16767)

COMMITTEE FOR Renewable Reformulated Fuel Study Meets to discuss ethanol

**Interim Committee** The first meeting of the Renewable Reformulated Fuel Study Committee was held on January 5.

**Flexible Fuel Vehicles** The Legislative Service Bureau gave a brief overview on the projection of purchases of Flexible Fuel Vehicles (FFV) and stated the difficulty of predicting the effect of FFV incentives on the marketplace and their financial impact upon the state.

**Ethanol Consumption** The Legislative Fiscal Bureau provided a brief overview concerning the consumption of ethanol in Iowa, which has steadily increased relative to conventional gasoline. In August of 2000, the market share of ethanol surpassed 50.0% of total gasoline consumption for the first time since the introduction of the fuel source to Iowa.



**Gasohol Fuel Tax Exemption** The Department of Transportation provided information on the impact of gasohol’s reduced fuel tax on state and federal funding:

* Over the last five years, the one-cent-per-gallon state fuel tax exemption for gasohol has reduced state fuel tax revenues by an average of $6.0 million per year. Based on estimated gasohol consumption, the reduction in revenues for calendar 2000 will be approximately $7.5 million.
* For every gallon of gasohol consumed, there is a significant reduction in contributions to the Federal Highway Trust Fund. The combination of the reduced gasohol tax and the “diversion” of 3.1 cents to the General Fund has resulted in a nation-wide reduction of Trust Fund receipts totaling an estimated $1.08 billion.
* Representatives of the Iowa Corn Growers Association provided an overview of the advantages of expanding ethanol usage in Iowa. They stated Iowa needs to initiate a Fuel Quality Standard for the following reasons:

Ethanol generates the need for additional value-added corn processing.

Ethanol is a renewable biodegradable, environmentally friendly fuel that contributes to economic development and reduces Iowa’s need for energy imports.

E-85 (blending 85% ethanol with 15% gasoline) has expanded ethanol demand and cut hazardous vehicle emissions.

Producing low-octane gasoline provided refiners with more gallons to sell. A low-octane gasoline extends fuel supplies by 10 percent, providing more volume and less need for imported energy.

**U.S. Clean Fuels** Rolf Hanson, Nebraska Petroleum Council, gave background information on the evolution of U.S. clean fuels and provided statistics on crude oil and gasoline prices for the past 10 months.

**Taxation of Ethanol** Ron Marr, Petroleum Marketers of Iowa, gave an overview on the taxing of ethanol versus conventional gasoline. Mr. Marr stated that E-85 is more expensive than conventional gasoline overall because of the way the 10% ethanol blends are figured. The taxes on E-85 are not added until the product is blended, which makes it more expensive.

**Future Discussion** Mr. Marr also stated that buyers of ethanol have to wait until the end of the year to receive a tax credit instead of getting a refund before the end of the year. Committee members would like to discuss this issue further, and plan to have an additional meeting with Archer Daniels Midland in attendance. They will discuss the possibility of buyers of ethanol receiving a refund for ethanol up front instead of waiting for a tax credit at the end of the year.

LFB STAFF MONITOR: Mary Beth Mellick (Ext. 18223)

LSB STAFF CONTACTS: Doug Adkisson (Ext. 13884)

 Nicole Haatvedt (Ext. 16329)

Beverage Container Redemption Study Interim Committee Holds Meetings

**Interim Study Committee** The first meeting of the Beverage Container Redemption Study Interim Committee was held December 28 in Des Moines. The meeting was co-chaired by Senator Merlin Bartz and Representative Jim Hahn.



**Benefits of Recycling** Garth Frable, Iowa Recycling Association, discussed the benefits of recycling beverage containers. The benefits include reduction of litter along roads and highways, increased recycling of beverage containers as well as other products, and creation of jobs within the recycling industry. The Iowa Recycling Association recommended changes to the legislation for the recycling of beverage containers. The changes include:

* Increase the handling fee from one cent to two cents. The fee has not been changed for 21 years and the increase would pay for the functions completed by grocery stores and redemption centers.
* Expand the types of bottles and cans that can be recycled. This would include containers for tea, water, juices, sport drinks and other noncarbonated beverages.
* Creation of the Robert D. Ray Beautiful Land Fund that would be funded with unredeemed deposits. Currently, the distributors are retaining this money. The Fund would support local and State recycling initiatives.
* Require all beverage containers sold in Iowa be made with recycled material.

**Issues Discussed** Committee members participated in a discussion on the costs associated with the beverage container process. Some of the issues discussed included:

* A discussion of curbside recycling versus the beverage container deposit system.
* The problems associated with a deposit on wine bottles. There are approximately 7,000 wine distributors in Iowa, and redemption centers and retail stores are required to sort wine bottles for each distributor.
* Retail establishments are not always paid for the containers they redeem as consumers return the empty containers to a different business from the point of purchase. One example is when consumers purchase beverages at discount stores but return the containers to the grocery store. Another example is when consumers purchase their beverages in large cities but return the empty containers to the local grocery store.
* Border towns experience the problem of over-redemption. This is when a person will purchase a beverage in a neighboring state but will redeem the empty container in Iowa for the five-cent deposit.
* Redemption centers have experienced increased expenditures for utilities and salaries but have not received additional funds for their operations.

**Plant Tour** Upon adjournment, several members of the Interim Study Committee toured Pepsi Cola Bottlers in Clive. This included a tour of the company’s can and bottle recycling area.

**Second Meeting** The second meeting was held January 5 in Des Moines. The following presentations were made:

* Glenn Fazio, Iowa Dairy Foods, discussed the additional costs to the dairy industry:
* Stamping packages with the five-cent deposit requirement.
* Additional trucks to pick up empty containers due to sanitation concerns.
* Empty containers with bacteria in them would cause additional sanitation problems.
* Ted Brown, Hanaford Brothers Company, discussed the additional costs of expanding the containers requiring a deposit in Maine where the Hanaford Brothers is located. They include:
* Over-redemption of containers in stores that are located on the State’s border.
* Sorting returned containers is very labor extensive, as there are 175 items requiring a deposit.
* Additional costs of sorting, storing, and processing containers are passed on to the consumer.

* Nick Pyle, Welch’s Inc., discussed the additional costs for manufacturers when the containers requiring a deposit are expanded. They include:
* Additional costs to mark containers or to segregate inventories going to bottle deposit states.
* Additional costs to hire a third-party contractor to pick up the empty containers from the stores.
* Lower payments for Wick Program participants, as the container deposit is included in the total bill.
* Kevin Dietly, Northbridge Consulting, discussed the economics of the beverage container deposit system versus curbside recycling. He estimated the cost to recycle using the beverage container deposit system is approximately $520 a ton, while the cost to recycle using curbside is $100 per ton.
* Jerry Fleagle, Iowa Grocery Industry Association, discussed problems for grocers in Iowa if the type of containers is expanded. They include over redemption of containers, additional costs for grocers to handle and store containers, and the reduction of items for the curbside recycling program.
* Bill Wimmer, Iowa Soft Drink Association, suggested that before changing the law, a litter study be conducted to analyze the types and sources of litter found in Iowa.

**Plant Tour** Upon adjournment, several members of the Interim Study toured the Super Valu warehouse in Clive. The tour included a review of the number of beverage products available to the consumer.

LSB STAFF CONTACT: Tim McDermott (Ext. 13444)

LFB STAFF MONITORS: Deb Kozel (Ext. 16767) Christina Schaefer (16765)

Council on Human Services January Meeting



**Council Meeting** The Council on Human Services met January 10 and conducted the following business:

* Adopted the following administrative rules:

Eliminate the 30-day institutional stay requirement for the Home and Community-Based Physical Disability Waiver Program and provide a first-come, first-serve basis. The information provided indicates no budget impact.

Increase the rate for emergency foster care: for children up to 12 years of age, from $14.00 per day to $20.09 per day; for children 12 and older, from $21.63 to $21.84 per day. The change in rules also includes a change in the rate for foster parent and social worker trainers, from a per hour rate of $14.00 per hour to a rate “appropriate to community standards and experience of the trainer”. The information provided indicates an additional cost of $308,000, with the local areas providing partial funding for FY 2001 and the State picking up the cost in FY 2002. Since the FY 2001 increase is only for a partial year, it is predicted that the additional State cost for FY 2002 is $233,000. The Department of Human Services indicates that the FY 2002 request includes this calculation.

* Placed on Report of Notice the following administrative rules.

Changes in refugee cash assistance and service programs. Information included indicates no budgetary impact.

Administrative

 **Rules**

Many changes to the Home and Community-Based Waiver Programs. The information provided indicates that the costs are included within the budget, but that a report from a consultant is pending which may indicate an unknown State cost from the part of the proposal which increases the monthly dollar cap which establishes eligibility. This unknown cost is not yet included in any budget or budget request.

* Received an update on the Mental Health and Developmental Disability Summit.
* Received an update on the Senior Living Trust Fund.
* Received an update on the budget.
* Received information regarding the Child Welfare Enhancement Package.

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

STAFF CONTACT: Sue Lerdal (Ext. 17794)

Teacher Quality Seminar

**Teacher Quality** On January 10, the Iowa State Board of Education and the North Central Regional Education Laboratory hosted a seminar on teacher quality. The focus of the seminar was to share and discuss with legislators the principles of a possible teacher compensation proposal.

**Speakers** Speakers included Ted Stilwell, John Forsyth, Marvin Pomerantz, and Gina Burkhart (Executive Director of the North Central Regional Education Laboratory).

**Presentations** Information presented at the Seminar included:

* Discussion of teacher supply and demand in Iowa and nationally. It has been projected that 23% of Iowa’s teachers will be eligible to retire by 2005. Also, other states are recruiting graduating teachers from Iowa’s universities and colleges.



* Presentation of the Career Path pay plan. The Provisional, Career 1, Career 2, Advanced, and Advanced Nationally Board Certified pay levels were explained, as well as the process for progressing through the levels.
* Presentation of a variable pay plan. This plan would be linked to student achievement and would be implemented on a team basis rather than an individual basis.
* Discussion of continuing education which is useful in developing good teachers.

**Governor’s Recommendation** The Governor has recommended a FY 2001 supplemental appropriation of $42.0 million to fund the initial year of a teacher compensation plan linked to student achievement.

STAFF CONTACT: Shawn Snyder (Ext. 17799) Robin Madison (Ext. 15270)

State Soil Conservation Committee Holds Meeting

**Committee Meeting** The State Soil Conservation Committee held a telephone meeting December 14. Chairperson Mary Ann Drish called the meeting to order.

**Presentations** The following presentations were made:

** Soil**

Conservation Committee

* Jim Gillespie, Division of Soil Conservation, provided an update on the Buffer Strip Initiative. For the Option One category, there are 98 Districts that have requested funds of $500 for technical assistance and promotion of the Buffer Strip Initiative. Several counties have enrolled land in the Buffer Strip Initiative, with Fayette County submitting 30 applications and Cedar County submitting 20 applications.
* Bill McGill, Division of Soil Conservation, reported that unused Soil Conservation Cost Share Funds from three years ago would be recalled and reallocated to the Districts. The amounts recalled are from projects where no work has started.
* Ken Towe, Division of Soil Conservation, explained that the federal Abandoned Mines Grant proposal would be completed and mailed within the month.
* Dean Lemke, Division of Soil Conservation, explained that 42 applications were received for the Watershed Development Grants. There were 29 applications funded for a total of $203,000. Lemke announced that Thomas Isenhart would be heading the Conservation Reserve Enhancement Program (CREP) in Iowa. He will be hired with a contract agreement between the Department of Agriculture and Land Stewardship and Iowa State University.
* Jim Gulliford, Division of Soil Conservation, discussed the Conservation Reserve Enhancement Program and explained the Governor would be approving the final proposal within a week. The approved proposal would be presented to the United States Department of Agriculture. He also explained that the Watershed Task Force would be preparing a report to make recommendations to the Legislature.
* Bill Ehm, Department of Natural Resources, explained that Total Maximum Daily Load (TMDL) measures have been calculated for the 12 lakes in Iowa. They include:

Bob White Lake—Wayne County

Arrowhead Lake—Pottawattamie County

Yellow Smoke Lake—Crawford County

Cedar Lake—Linn County

Fairfield Reservoir II—Jefferson County

Lake Miami—Monroe County

Slip Bluff Lake—Decatur County

Rock Creek Lake—Jasper County

Binder Lake and West Lake—Adams County

Orient Lake—Adair County

Silver Lake—Delaware County

* Committee member John Sellers explained the Chariton Valley Biomass Project. This is a cooperative project with Alliant Energy which uses switchgrass instead of coal for energy production at the power plant in Ottumwa, Iowa. The project will use approximately 50,000 acres of switchgrass in Appanoose, Lucas, Monroe, and Wayne Counties. The Committee approved the project.

**Next Meeting** The next meeting will be January 30, followed by a luncheon with Legislative members at the Capitol.

STAFF CONTACT: Deb Kozel (Ext. 16767)

*This document can be found on the LFB website:* <http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>