FISCAL UPDATE January 22, 2001

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Administration and Regulation Appropriations Subcommittee

**Admin./Regulation** The Administration and Regulation Appropriations Subcommittee met the week of January 15 and conducted the following business:

**Gov.’s Budget** On January 17, the Subcommittee heard a brief overview of the Governor’s budget recommendations from the Legislative Fiscal Bureau.



**Inspections & Appeals** The Director of the Department of Inspections and Appeals, Kevin Techau, made a presentation to the Subcommittee on the history and functions of the Department and presented the Department’s budget request for FY 2002.

Mr. Techau agreed to the following:

* To review LSB 1611SS (English as Official Language) and provide the Subcommittee with an explanation of how the Bill, if enacted, would affect the Department’s Internet site that provides text in 13 languages.
* To provide the salary for a Health Facilities Surveyor that the Department is requesting to have added to the staff of the Health Facilities Division.
* To provide a list of all out-side contracts used by the Department for FY 2000.
* To provide a response to changes proposed in specific line items of the Department’s FY 2002 budget request.

**Secretary of State** On January 18, Deputies of the Secretary of State, Dean Lerner and Bob Gailbraith, presented an overview of the duties performed by the Office of the Secretary of State and budget requests relating thereto, including:

* An increase of $37,000 for the Business Services Division responsible for annual and biannual filing of all records relating to companies conducting business in the State of Iowa and under the Uniform Commercial Code.

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* An increase of $30,000 in the Elections Division for the Iowa Student Political Awareness Club (ISPAC) to increase efforts to involve students, grades six through 12, in political participation and voting.

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* An increase of $29,000 in the Elections Division for software to aid in redistricting of certain local precincts pending the decennial redistricting plan expected to pass the General Assembly.
* From possible Pooled Technology Account dollars, all or partial funding for a new voter registration system to replace the existing 1970’s mainframe computer system.

**Dept. of Personnel** The Director of the Department of Personnel, Mollie Anderson, presented the Department’s FY 2002 budget request.

**Agency Billings** Ms. Anderson also provided the Subcommittee with information on the Department’s proposal to standardize billings to other State agencies and to implement a surcharge to be shared between State agencies and employees to pay for the administration costs of health programs.

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee Members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/admin_reg/admin_reg.htm>.

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Agriculture and Natural Resources Appropriations Subcommittee

**Agric./Natural Res. Sub.** The Agriculture and Natural Resources Appropriations Subcommittee met January 17 to discuss the Governor’s Recommendations. Deb Kozel, Legislative Fiscal Bureau, presented the following:

**FY 2002 Gov’s Recomm.** The Governor is recommending $20.0 million from the General Fund and 455.0 FTE positions for FY 2002 for the Department of Agriculture and Land Stewardship. This is a decrease of $5.1 million (20.2%) and no change in FTE positions compared to estimated FY 2001. The changes include:

* An increase of $66,000 (2.6%) and 1.0 (2.1%) FTE position for the Administrative Division to pursue marketing opportunities for processed food, feed, and other items of Iowa origin.
* C:\Program Files\Microsoft Office\Clipart\standard\stddir4\pe02435_.wmfAn increase of $184,000 (3.5%) and a decrease of 1.0 (0.8%) FTE position in the Regulatory Division for realignment of operations within the Division.
* No change in funding and an increase of 1.0 (1.2%) FTE position in the Laboratory Division for residue testing of new herbicides. The Department was awarded funding from the United States Environmental Protection Agency to purchase equipment to test new generation herbicides for Iowa and one other state. Without the FTE position, the testing will be moved to another state.
* No change in funding and a decrease of 1.0 (0.5%) FTE position in the Soil Conservation Division due to decreased federal funding to the Mine and Minerals Program.
* A decrease of $5.5 million (100.0%) and no change in FTE positions in the Soil Conservation Cost Share Program. The Governor is recommending funds of $5.5 million be appropriated from the Rebuild Iowa Infrastructure Fund (RIIF).
* An increase of $114,000 (37.5%) and no change in FTE positions in the Farmer’s Market Coupon Program to provide elderly Iowa citizens with coupons to redeem for fresh produce at Farmer’s Markets.



**Soil Conservation Division** The Governor is recommending an increase of $2.2 million (29.1%) from the Environment First Fund for Programs in the Soil Conservation Division. The changes include:

* An increase of $1.3 million for the Iowa Watershed Protection Program in the effort to provide water quality protection and flood control and to reduce soil erosion.
* An increase of $1.0 million to the Loess Hills Development Authority.
* An increase of $500,000 to provide cost share assistance for the closure of agricultural drainage wells.
* A decrease of $100,000 for grant writing programs that received funding for FY 2001.
* A decrease of $500,000 for the Soil Conservation Cost Share Program.

**Renewable Fuels Program** The Governor is recommending $400,000 for the Renewable Fuels Program with funding transferred from the Department of Economic Development (DED). The DED will receive funding for this Program from the Motor Vehicle Use Tax.

**Dept. of Natural Resources** The Governor is recommending $19.5 million from the General Fund and 1,066.1 FTE positions for FY 2002 for the Department of Natural Resources. This is an increase of $435,000 (2.3%) and 16.0 (1.5%) FTE positions compared to estimated FY 2001. The change includes:



* An increase of $135,000 (2.1%) and 3.0 (1.5%) FTE positions for the Parks and Preserves Division for additional staffing in the Maquoketa Caves, Bellevue, and Stone State Parks. These positions will provide maintenance and security at these locations.
* An increase of $300,000 (5.8%) and 11.00 (5.1%) FTE positions in the Environmental Protection Division. The change includes:

C:\Program Files\Microsoft Office\Clipart\standard\stddir3\in00943_.wmfAn increase of $300,000 and 5.0 FTE positions for calculation of total maximum daily load as required by the federal Clean Water Act. An additional $300,000 will be available in federal funds.

An increase of 3.0 FTE positions for the implementation of the federally-mandated Comprehensive Planning Process Program. Funding of $300,000 will be from federal funds.

An increase of 1.0 FTE position for a Volunteer Coordinator for expansion of the Keepers of the Land Volunteer Program. Funding is from the Environment First Fund.

An increase of 2.0 FTE positions to assist landowners who upgrade septic tank systems under the Septic Tank Revolving Loan Fund Program. Funding is from the Environment First Fund.

* An increase of 2.0 (0.6%) FTE positions in the Fish and Wildlife Division for the expansion of the Private Land Access Program that assists landowners with the implementation of buffer strips and filter strips. Funding of $200,000 is from the Fish and Game Protection Fund.
* An increase of $200,000 (100.00%) from Stormwater Permit Fees to hire contract personnel to reduce the backlog of floodplain permit applications.

**Destination Park** The Governor is recommending an increase of $1.0 million (100.00%) from the Rebuild Iowa Infrastructure Fund (RIIF) for the creation of a destination park. The destination park would provide expanded facilities and activities to encourage visitors to plan vacations and other types of gatherings.

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**Transfer**

**Groundwater Fund Transfer** The Governor is recommending funds in the Groundwater Protection Fund be transferred to the Environment First Fund. This is a decrease of $3.9 million (100.00%) from the Groundwater Protection Fund and an increase of $1.6 million (58.2%) to the Environment First Fund compared to estimated FY 2001. The change includes:

* An increase of $12.9 million from the transfer of funds from the Groundwater Protection Fund to the Environment First Fund.
* An increase of $2.0 million for the Resource Enhancement and Protection Fund (REAP).
* An increase of $1.3 million for the Private Land Access Program.
* An increase of $1.1 million for expansion of the Water Quality Monitoring Network.
* An increase of $125,000 to complete natural resource inventories and protection plans to identify and safeguard unique landforms and ecosystems.
* An increase of $60,000 for expansion of the Keepers of the Land Volunteer Program.
* A decrease of $2.4 million for the Lake Dredging Program.
* A decrease of $600,000 for the Wastewater Systems Assistance Program.
* A decrease of $372,000 for Water Quality Planning Standards.
* A decrease of $250,000 for the Trees Planting Program.
* A decrease of $153,000 for the federal Total Maximum Daily Load Program.
* A decrease of $60,000 for the Lewis and Clark Rural Water Supply System.

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee Members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/ag_dnr/ag_dnr.htm>

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Economic Development Appropriations Subcommittee

**Economic Devel. Sub.** On January 17, the Economic Development Appropriations Subcommittee heard presentations from the Legislative Fiscal Bureau staff on the FY 2002 Governor’s budget recommendation and the departments’ requests.

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**Gov’s FY 2002 Recomm. Governor’s FY 2002 Budget Recommendation:** The Governor is recommending $37.4 million and 1,246.5 FTE positions for the three departments of the Economic Development Appropriations Subcommittee. This is a decrease of $84,000 (0.2%) and an increase of 4.2 (0.3%) FTE positions compared to estimated FY 2001. Included in these figures are $7.6 million and 73.5 FTE positions for seven Board of Regent’s programs traditionally funded through the Economic Development Subcommittee. This is no change in funding for these programs and a decrease of 0.6 (0.8%) FTE position compared to estimated FY 2001. The significant recommended General Fund changes include:

**DED** Department of Economic Development (DED) – A decrease of $180,000 (0.8%) and an increase of 1.8 (0.8%) FTE positions compared to estimated FY 2001. The requested change includes the following significant items:

* An increase of $50,000 for General Administration to expand the Youth Institute of the World Food Prize.
* An increase of $150,000 for the Business Development Operations to provide technical and financial assistance to communities and businesses for high technology and entrepreneurial small business growth.
* A decrease of $500,000 for the Housing Development Assistance Program to consolidate housing programs within a single funding stream.
* An increase of $100,000 to create a Technology Marketing Initiative to implement a marketing and communications plan emphasizing the target industry clusters (life sciences, information solutions, and advanced manufacturing).
* An increase of $20,000 for the Partner State Program to host Japanese dignitaries.

**Workforce Development** Iowa Workforce Development - An increase of $66,000 (1.0%) and 3.0 (0.3%) FTE positions compared to estimated FY 2001. The requested change includes:

* An increase of $86,000 for the Labor Division for equipment and materials used to conduct required inspections by elevator and boiler inspectors, and to add and replace equipment for the Industrial Hygienist relating to air sampling, carbon monoxide, and heat stress monitoring.



* An increase of $80,000 and 3.0 FTE positions for the Labor Division for two additional Occupational Safety and Health Administration (OSHA) inspectors and one support staff. This recommendation would be equally matched with federal funds.
* An increase of $190,000 and 2.0 FTE positions to the Workers’ Compensation Division to oversee compliance and reduce the current backlog of cases in the Workers’ Compensation Compliance Program.
* A shift of $67,000 in General Fund operations for the Employment Statistics Division to the Penalty and Interest Fund.
* Elimination of $70,000 in General Fund and $75,000 in federal funds and .25 FTE position for the Labor Management Coordinator. Recommendation of $30,000 in other funds to phase out the current program over FY 2002.
* No request for the Welfare-to-Work Program, which is a decrease of $153,000 and 3.5 FTE positions. This program will end in FY 2003 and the already appropriated funds should be adequate to meet client needs. Approximately $980,000 in General Fund appropriations was carried forward to FY 2001.

**Public Empl. Relations** Public Employment Relations Board - An increase of $30,000 (3.2%) to fund support costs.



**Housing Task Force** On January 18, the Subcommittee heard presentations on the Governor’s Housing Task Force recommendations. The presenters were Heather McDonald, Chair of the Graduate Program in Urban and Regional Planning, University of Iowa, who authored the report to the Governor’s Task Force evaluating Iowa’s housing needs; Mike Tramontina, Director of the Iowa Finance Authority; C. J. Niles, Director of the Department of Economic Development, and several Task Force members. Issues discussed include:

* The status of the State’s housing markets:
* Seven counties have dynamic growing housing markets.
* Twenty-four counties have stable growing housing markets.
* Twenty-nine counties have stagnant markets.
* Thirty-nine counties are in decline.
* Housing quality:
* Low-income households are more likely to have problems with substandard housing and with housing costs consuming too large a portion of their incomes.
* Lack of high-quality, more expensive housing can be an economic development deterrent.
* The housing problems experienced by rural and urban areas that are in decline are the same.
* Social issues:
* There is a great need for affordable housing for households with families.
* There is a large amount of currently occupied older housing that needs to be rehabilitated.
* Quality, affordable housing options close to activities and amenities are needed to retain young adults in Iowa.
* Governor’s Recommendations:
* Create a State Housing Trust Fund of approximately $15.0 million by consolidating programs and with funding from the Iowa Housing Corporation. Maintain flexibility by not using these Funds to match federal funds, thus avoiding limitations and restrictions of federal programs.
* Consolidate housing programs into a single administration managed cooperatively by the Iowa Finance Authority and the Department of Economic Development.
* Create a strategic housing plan to focus and coordinate programming.

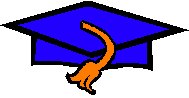
**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee Members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/econ_dev/econ_dev.htm>

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Education Appropriations Subcommittee

**Education Subcommittee** The Education Appropriations Subcommittee met January 18. Agenda items included:

* Legislative Fiscal Bureau staff reviewed the Governor’s recommendations for FY 2002.



* Department of Management staff responded to questions.

**Next Week** Next week the Subcommittee will hear presentations from and review the budgets for:

* Tuesday – State Library
* Wednesday – College Student Aid Commission
* Thursday – Department of Cultural Affairs

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee Members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/ed_sub/educat.htm>.

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HEALTH AND HUMAN RIGHTS APPROPRIATIONS SUBCOMMITTEE

**Health/Human Rights Sub.** The Health and Human Rights Subcommittee met January 17 and 18. On January 17, the Subcommittee traveled to the Department for the Blind to take a tour of the facility. On January 18, the Legislative Fiscal Bureau presented an analysis of the budgets of the Civil Rights Commission, the Department of Elder Affairs, and the Department of Public Health, using Schedule 6s, which detail the total resources available to each budget unit that also receives a State appropriation, and Schedule 1s, which focus on decision packages that would restore 100.0% of the estimated FY 2001 funding level.



**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee Members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/health_hr/health_hr.htm>.

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Human Services Appropriations Subcommittee

**Human Services Sub.** The Human Services Appropriations Subcommittee met the week of January 15 and conducted the following business:



**Child Protection** January 17: Heard from various presenters regarding child protection, including:

* Bill Angrick, State Ombudsman
* Steve Scott, Child Abuse Iowa
* Tom Ferguson, Black Hawk County Attorney
* Marilyn Lantz, Office of the Iowa Attorney General
* Lieutenant Governor Sally Pederson

**Consultant Contracts** January 18: Heard from interested parties regarding specific consultant contracts, single source contracts, and other personnel issues:



Contracts

* Jessie Rasmussen, Director of the Department of Human Services
* Gordon Allen, Office of the Iowa Attorney General
* Warren Jenkins, Deputy, State Auditor’s Office
* Clint Davis, Iowa Department of Personnel
* Lorrie Tritch, Deputy Director for Administration, Department of Human Services

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee Members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/human_serv/human_serv.htm> as well as in person at the Capitol. Additional information is available upon request.

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Justice System Appropriations Subcommittee

**Justice System Sub.** The Justice System Appropriations Subcommittee reviewed the Iowa Corrections Offender Network with the Department of Corrections (DOC). The new data processing system was deployed in Community-Based Corrections (CBC) in August 2000. The system continues to be refined for CBC and is in the planning stages for the prison system. Once the Iowa Corrections Offender Network is fully deployed in the Institutions and CBC District Departments, the offender’s information will be accessible by staff statewide, no matter if he/she is in prison or the CBC system.



**Attorney General’s Office** The Justice System Appropriations Subcommittee received testimony from Eric Tabor, Chief of Staff for the Iowa Attorney General’s Office. Mr. Tabor:

* Reviewed the table of organization, staffing patterns, and program descriptions for the Department of Justice.
* Responded to questions regarding Legal Services Corporation, Victim Assistance, Prosecuting Attorney Training Council, the Office of the Consumer Advocate, Antitrust Fund, and the Consumer Education Fund.

**Next Week** The Departments of Public Safety and Corrections will be presenting information next week.

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee Members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/justice/justice.htm>.

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Oversight and Communications Appropriations Subcommittee

**Oversight/Communications** The Oversight and Communications Appropriations Subcommittee met January 17 and 18.



**LFB Presentations** On January 17, Legislative Fiscal Bureau (LFB) staff presented and discussed the summary of the Department’s requests and Governor’s recommendations for the agencies under the Subcommittee.

On January 18, LFB staff reviewed SF 2433 (FY 2001 Oversight and Communications Appropriations Act).

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee Members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/oversight/oversight.htm>.

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Transportation, Infrastructure, and Capitals Appropriations Subcommittee

**Trans., Infra., & Capitals** The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met January 17 and 18.

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**DOT Budget** The Department of Transportation (DOT) presented the FY 2002 Governor’s budget recommendations for the DOT. The Governor is recommending a total of $285.5 million and 3,859.0 FTE positions, an increase of $8.4 million (3.0%) and no change in FTE positions. The recommendation includes:

* $239.2 million from the Primary Road Fund
* $38.7 million from the Road Use Tax Fund
* $3.1 million from the General Fund
* $4.5 million from the Rebuild Iowa Infrastructure Fund

**Policy Change Discussed** The Department also discussed the recent change in policy concerning the transfer of jurisdiction of State roads. The DOT reported that the overall funding available for construction and maintenance of the State road system has not kept pace with the needs. The DOT’s new policy requires local jurisdictions to accept ownership of a roadway segment before the DOT will expend money to relocate the roadway. As part of the agreement, the DOT would make the necessary improvements to the transferred road to extend the life of the road for a 20-year period.



**Proposed State Laboratory** The Department of General Services provided information concerning the proposed State laboratory facility. The facility is estimated to cost $62.0 million and would include space for the State Medical Examiner, the Division of Criminal Investigation (DCI) Crime Lab, the Department of Agriculture laboratories, and the University of Iowa Hygienic Lab. The Governor is recommending that the State bond for construction of the new facility.

**Tour of Existing Facility** The Departments of Public Safety and General Services accompanied Subcommittee on a tour of the existing laboratory facilities located in the Wallace State Office Building.

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee Members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/trans_infra/trans_infra.htm>.

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House Appropriations Committee

**House Appr. Committee** The House Appropriations Committee met January 16.

**Local Option Admin. Fee** Gerald Bair, Director of the Department of Revenue and Finance, discussed the local option sales and services tax proposed administrative fee, as well as the impact of FY 2001 budget reductions on the Department.



**Tax Gap Compliance Prg.** Mr. Bair, Don Cooper, and Rhonda Kirkpatrick, also of the Department of Revenue and Finance, discussed the Tax Gap Compliance Program and provided a history of the Program and anticipated revenue from the acceleration of the Program. The Governor’s FY 2002 budget includes increased General Fund revenues of $9.9 million from the acceleration of the Program. Revenues are generated primarily from out-of-state businesses that are not currently filing Iowa tax returns.

**Municipal Fire/Police** Dennis Jacobs, Director, Municipal Fire and Police Retirement System of Iowa, reviewed the proposed reduction of $2.9 million in State funding.

**Material Available** Material distributed at the meeting is available on the LFB’s web site: <http://staffweb.legis.state.ia.us/lfb/>.

**Next Meeting** The next meeting of the Committee is scheduled for January 22. The following items are on the agenda:

* State Auditor Johnson on budget issues – current and future.
* Department of Management and Dennis Jacobs, Municipal Fire and Police Retirement System of Iowa, continued discussion concerning the proposed $2.9 million reduction.
* Legislative Fiscal Bureau staff will be available to respond to questions concerning the FY 2002 budget.

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Tobacco Settlement Authority Meeting

**Study Reviewed** The Tobacco Settlement Authority met January 9 to review the financial study prepared by Public Financial Management (PFM), the Authority’s financial advisor. The purpose of the study is to:

* Comply with legislative direction to develop a program plan to manage tobacco revenues.
* Provide the Tobacco Settlement Authority with sound analysis to facilitate informed decisions regarding securitization of tobacco revenues.
* Help formulate a financial strategy to optimize the value of tobacco revenues for Iowa citizens.

**Financial Objectives** PFM listed the State’s financial objectives for tobacco revenues generated by the Master Settlement Agreement (MSA) as:

* Ensure ongoing appropriations for programs.
* Maximize the value of a future endowment.
* Optimize the balance between ongoing program expenditures and building an endowment.
* Recognize and manage tobacco industry risk.



**Master Agreement** The Master Settlement Agreement is the negotiated settlement of the State’s health care claims for payments by tobacco manufacturers. The payments are in perpetuity and are subject to adjustment as follows:

* The market share of the participating manufacturers (any decrease in market share of any of the four participating manufacturers may result in declining payments to participating states).
* The increase or decrease in the number of smokers in the domestic market.
* Inflation adjustments.

**Risk Factors** Gordon Allen, Deputy Attorney General, also spoke to other risk factors:

* The federal government could enact higher taxes for cigarettes. Projections have indicated a $1.00 increase in the federal cigarette tax results in a $1.00 reduction in the MSA payments made to the states.
* Under the MSA, states agreed to forgo suing tobacco manufacturers for health care costs if the tobacco companies made payments to the states. There is a concern in the U.S. Congress that states are using the funds for capital projects rather than health care costs. U.S. Senators have publicly made statements that if states do not spend the tobacco revenue on health care, the Medicaid payments to the states will be reduced.

**Analysis** PFM’s financial analysis included studying the:



* Pay as you go – do not securitize the payments.
* Tax-exempt issue – requires the tobacco revenue proceeds to be used for capital projects under the federal tax law.
* Taxable issue – this is the most expensive option.
* Hybrid approach – a mix of tax-exempt and taxable issues.

**Recommendations** PFM recommends the blended approach to optimize the value of program appropriations and to build an endowment. A tax-exempt bond issue of $678.0 million could be amortized over a 25-year period with the following assumptions:

* True interest cost - 6.6%
* Arbitrage yield – 6.5%
* Restricted fund yield – 5.3%
* Unrestricted fund yield – 6.8%

**Recommendations**

* Cost of issuance – 1.45% of PAR
* Bonds are paid solely from MSA revenue

**Assumptions** PFM’s recommendation assumes an annual growth rate of 0.7% for 30 years for health-care-related appropriations. This would also build a permanent endowment of $1.0 billion at the end of 30 years for health-care-related appropriations. In order to implement this recommendation, state capital project costs would need to be transferred from their current state revenue sources (for example, General Fund, Rebuild Iowa Infrastructure Fund) to tobacco revenues. Currently, tobacco revenues are appropriated for health care costs.



**Securitization** Securitization may shield the state’s tobacco revenues from industry risk, such as:

* Decline in the number of people smoking in the domestic market.
* Bankruptcy of any of the participating manufacturers.
* Challenges to the model law. Under current law, all cigarette manufacturers are required to set aside funds for potential future health care claims. There is a case pending in Virginia where a company is claiming its cigarettes do not cause health problems. Therefore, they should not be required to set aside funds.

**Economic Analysis** PFM’s economic analysis shows:



Analysis

* Cost of securitization - $63.0 million. This figure reflects the unrecoverable cost of issuance and negative arbitrage.
* Cost of issuance – 1.45% or $10.0 million. This figure represents underwriting expenses and fees.
* Negative arbitrage on restricted fund – 119 basis points negative spread. However, a higher investment yield reduces negative arbitrage.
* Term of restricted fund – the length of time federal law requires the use of restricted investments is a function of:
* The amount of money currently appropriated for capital projects (PFM assumes $80.0 million over 12 years).
* How quickly those funds could be deappropriated and re-appropriated from tobacco revenues (most favorable time period is within 5 years).
* Unrestricted yield – 6.8%. This is a conservative estimate because certain tobacco companies’ revenue bonds are currently selling at a rate in excess of 9.0%, and A government bonds are currently rated at 7.5%.

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Required Reports Submitted to the Oversight and Communications Appropriations Subcommittee



**Reports Submitted** Two reports required from the Iowa Telecommunications and Technology Commission in SF 2433 (FY 2001 Oversight and Communications Appropriations Act) have been received.

**Video Subsidization** Section 2.4b of the Act required the Commission to develop a long-term plan for rates charged to video users that would eliminate, by June 30, 2007, the need for subsidization of video use except for educational users.

**Voice Service/Internet** Section 2.5 of the Act required the Commission to enter into an agreement for a demonstration project to provide voice service for State government over Internet protocol.

**Reports Available** Both reports were submitted on time and are available on the Legislative Fiscal Bureau web site at <http://staffweb.legis.state.ia.us/lfb/subcom/oversight/oversight.htm>.

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Iowa Transportation Improvement Program

**Program Approved** On December 5, 2000, the Iowa Transportation Commission approved the 2001-2005 Transportation Improvement Program. The Program details how the Department proposes to improve the transportation system over the next five years. The following are highlights of the Program:

**Aviation Aviation** (estimated project costs):



* $2.2 million for FY 2001 Airport Improvement Program
* $300,000 for FY 2001 Air Service Marketing Allocations
* $496,000 (in State funds) for the FY 2000 General Aviation Infrastructure Program
* $1.0 million (funds available) for the 2000 Commercial Air Service Vertical Infrastructure Program

**Railroad Railroad**

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* Projected funding for railroad improvement programs includes: $6.3 million for 2001, $7.6 million for 2002, $7.5 million for 2003, $7.3 million for 2004, and $7.6 million for 2005.
* $115.1 million for FY 2001-2005 Potential Rail Assistance and Iowa Railway Finance Authority (IRFA)
* $199.3 million for FY 2001-2005 Potential Railroad Rehabilitation and Improvement Financing Projects
* Rail Assistance Economic Development Projects approved or completed in Fiscal Years 1999-2000 totaled $929,000. Total funds approved through FY 2000 are $4.1 million. Total number of jobs assisted through FY 2000 is 4,494.
* 2001 Accomplishment Programs for the Federal-Aid Rail/Highway Crossing Safety Fund and the Iowa Grade Crossing Surface Repair Fund totaled $3.8 million and $901,000 respectively.
* The Department is currently involved in the Midwest Region Rail Passenger Initiative, an ongoing effort to develop an expanded and improved passenger rail system in the Midwest. The Initiative is a cooperative effort among nine Midwest states, Amtrak, and the Federal Railroad Administration.

**Trails Trails**

* $656,000 was approved for Federal Trails Projects for fiscal years 1999 and 2000

**Park/Institutional Roads Park and Institutional Roads**

* FY 2001 Accomplishment Program - $4.9 million

**Estimated Cost** Estimated project costs:



* FY 2002 - $4.2 million
* FY 2003 - $5.7 million
* FY 2004 - $4.2 million
* FY 2005 - $4.3 million

**Enhancements Statewide Enhancements** (Historical and Archaeological, Scenic and Natural Resources, and Trails and Bicycles):

* $8.3 million for projects in FY 2000
* $8.1 million for projects in FY 2001



**Clean Air Program Iowa’s Clean Air Attainment Program (ICAAP)**

* $11.0 million for projects in FY 2000
* $30.6 million for projects in FY 2001

**Traffic Safety Traffic Safety**

* $4.2 million for FY 2001 Safety Funding for Traffic Safety Improvement Projects

**Public Transit Public Transit Program**

* Iowa’s public transit program consists of 19 urban and 16 regional transit systems which have projected operating costs at slightly more than $53.2 million for FY 2001. They have also programmed $27.7 million in capital improvements.
* The estimated expenditure by the 35 transit systems for operations and capital improvements during the next three years is approximately $297 million, an average of slightly more than $99.3 million per year.
* It is projected that for FY 2001, approximately $10.7 million will be appropriated from the state’s motor vehicle use tax for the support of public transit.

**Highway** Highway – The following table details the estimated costs of the highway projects.

**Project Estimated Costs**



|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2001** | **2002** | **2003** | **2004** | **2005** | **Beyond**  **2005** |
| **Des Moines to Burlington** | $22,258,000 | $81,675,000 | $131,468,000 | $72,140,000 | $2,607,000 | $95,000 |
| **Avenue of the Saints** | 70,990,000 | 56,967,000 | 44,531,000 | 29,804,000 | 2,891,000 | 3,757,000 |
| **Des Moines to Marshalltown** | 22,698,000 | 19,467,000 | 1,479,000 | 0 | 0 | 0 |
| **Iowa 5** | 35,710,000 | 30,404,000 | 1,557,000 | 0 | 0 | 0 |
| **U.S. 75 and Iowa 60** | 14,170,000 | 11,244,000 | 17,200,000 | 58,031,000 | 101,010,000 | 34,557,000 |
| **U.S. 151** | 42,789,000 | 37,587,000 | 12,074,000 | 917,000 | 0 | 0 |

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Funding Approved for Federal Recreational Trails Program

**Funding** On January 9, the Department of Transportation Commission approved a funding proposal for the Federal Recreational Trails Program. The total available funding is $768,000.

**Trails Projects** The following five projects have been recommended for funding from the Federal Recreational Trails Program:

**Non-Motorized Trails** Non-Motorized Trails:



* $384,000 – Clear Creek Greenbelt Trail – Phase 2 (Coralville). 1.0 mile connects the east/west link of the Greenbelt Trail. Phase 2 begins at Phase I and runs west paralleling the creek to 22nd Avenue. This portion of the trail is on city & University of Iowa property.
* $79,000 – Department of Natural Resources/AmeriCorps Trails. The grant will provide crew, supervision, equipment, and materials for redesign, reconstruction, and non-routine maintenance of trails in Iowa State parks. Three “base” camps will be established in the following State parks: Gull Point, Waubonsie, and Palisades Kepler.

**Motorized Trails** Motorized Trails:

* $168,000 – Snowmobile Groomer Purchase (DNR). The funding will provide new snow grooming machines to be used by local clubs and/or county conservation boards to groom and maintain snowmobile trails in Iowa.
* $76,000 – Off-Highway Vehicle (OHV) Trail Crew (DNR). The Department of Natural Resources, in cooperation with the Iowa Off-Highway Vehicle Association, will hire three, two-person trail crews to perform trail work at Iowa’s OHV parks. Currently, Blackhawk, Mahaska, Appanoose, and Pottawattamie counties all have public OHV facilities. The three new projects will begin as soon as land is available in the Des Moines area and the Northeast and Northwest regions of the State.
* $60,000 – Turkey Ridge OHV Trail Addendum (DNR). The project and application is an addendum to the Federal grant received in 1998 for the purchase and development of an OHV park in Northeast Iowa along highway 13 south of Elkader. The 1998 grant was to purchase 197.5 acres to develop an OHV park. Public opposition caused an alternate location to be pursued. The new site, however, is 275 acres and will require additional funding.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Department of Transportation Equipment and Vehicle Purchase Report

**Report Submitted** The Department of Transportation (DOT) has submitted the Equipment and Vehicle Purchase Report for FY 2000, as required by Section 307.47(4), Code of Iowa. The report shows the amount expended on vehicles and equipment from the Materials and Equipment Revolving Fund for FY 2000.

**Fund Purpose** The Materials and Equipment Revolving Fund is used to purchase all rolling stock, materials, and equipment for all divisions of the DOT. The Revolving Fund receives funding primarily through depreciation payments on equipment and vehicles from the various divisions. This allows the DOT to centrally purchase all equipment and effectively monitor and manage the Department’s purchasing functions. In addition to depreciation (which covers replacement costs), the Revolving Fund receives an annual appropriation of approximately $6.3 million to help pay the inflationary cost of vehicles and equipment.



REPORT

**FY 2000 Purchases** The following table summarizes purchases from the Revolving Fund for FY 2000.



**Copies Available** Copies of the report are available upon request from the Legislative Fiscal Bureau.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Highway Construction Contracts

Highway

Construction





**November Contracts**  The Department of Transportation notifies the Legislative Fiscal Bureau of all highway construction contracts in excess of $5.0 million for informational purposes. The Department awarded two contracts in November totaling $12.4 million. The contracts were granted to:

* Irving F. Jensen, Co., Inc., of Sioux City, for 9.1 miles of paving replacement on U.S. 71, from less than one mile north of the Highway 141/71 intersection in Carroll County.
* Fred Carlson Co. of Decorah, for 8 miles of new pavement on U.S. 61, from less than one mile south of the Louisa County line, northeast to the Muscatine bypass.

**December Contracts** The Department of Transportation awarded one contract in December totaling $16.2 million. The contract was granted to Flynn Company, Inc., of Dubuque, for the following projects:

* $7.7 million for new pavement and $165,000 for traffic signs on U.S. 151 from just west of Hills Road to east of Industrial Park Road near Cascade.
* $8.1 million for new pavement and $216,000 for traffic signs on U.S. 151 from northeast of Springville, east to northeast of Anamosa.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Strategic Plan for Community Colleges

**Community College Plan** The State Board of Education has adopted and submitted to the General Assembly a five-year strategic plan for Iowa’s community colleges, as required in House File 2433 (Community College Governance Act) enacted during the 2000 legislative session. The plan, prepared by the Community College Council, sets four goals that include a total of twenty-five initiatives. The four goals are:



* Providing high quality, comprehensive educational programs and services accessible to all Iowans.
* Developing high-skilled workers to meet the demands of Iowa’s changing economy.
* Maximizing financial and human resources to assure provision of comprehensive services and to allow Iowa to compete on a national and international level.
* Demonstrating effectiveness and efficiency for achieving the system mission and goals.

**Top Priorities** In presenting the plan, the Council recommended seven of the twenty-five initiatives as top priorities:

* Re-examine the current funding mechanism that supports community colleges through state and local revenue and student tuition.
* Develop a compensation package for community college professional and faculty salaries to be commensurate with the national average within five years.
* Seek funding for development, necessary equipment, and implementation of industry standard career and technology-based programs that are articulated with secondary schools and with four-year institutions.
* Prioritize addition or expansion of programs and courses to those directly related to high-skill, high-wage careers in advanced manufacturing, information solutions, and life sciences, and demand occupations documented by regional skill studies.
* Expand the involvement of business and industry as partners with the system of community colleges to strengthen career and technology-based education programs.
* Develop a set of agreed-upon performance indicators common to all community colleges.
* Improve articulation of career/technical and arts/science programs across Iowa’s education system and develop an approach to resolving articulation problems, such as mediation or arbitration, in order to move toward a seamless education system.

**Gov.’s Recommendations** The Governor’s FY 2002 budget recommendations for community colleges include:

**Gov.**

**FY 2002**

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* A General Fund appropriation of $5.0 million and changes in local levy authority to allow the community colleges to obtain greater local financial support.
* A new General Fund appropriation of $95,000 to establish the Governor’s Education Roundtable to discuss methods for developing a seamless statewide education delivery system, from preschool through graduate school.
* A $3.0 million increase in State funding for the Accelerated Career Education (ACE) Program.
* A $3.0 million appropriation from the Rebuild Iowa Infrastructure Fund (RIIF) to extend technology funding for community colleges for three years.

**Copies Available** Copies of the Five-Year Strategic Plan for Iowa’s System of Community Colleges are available upon request from the Department of Education.

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

FY 2001 Status Report on Enrich Iowa Funding for Public Libraries



**Status Report** As required in 2000 Iowa Acts 1223(5)(5), the State Library of Iowa has submitted a status report on FY 2001 State funding for Iowa’s public libraries distributed through the Enrich Iowa Program. The report lists amounts allocated to individual libraries.

**FY 2001 Funding** Enrich Iowa received a General Fund appropriation of $1.0 million for FY 2001, which was distributed to public libraries through a three-part formula included in the appropriation. Each library is evaluated based on standards established by the State Library and assigned to one of three achievement levels. Funding is determined for each achievement level, including a base amount of funding and a per capita distribution. In addition, each library receives an amount equal to 3.0% of any revenue it receives from the county level and from contracted services to neighboring communities.



**Gov.’s Rec. – FY 2002** The Governor’s FY 2002 budget recommendations include an increase of $1.0 million in funding for Enrich Iowa, accomplished by shifting funding from the Open Access Program and requiring libraries to offer Open Access to qualify for Enrich Iowa funding. Under Open Access, libraries allow residents of neighboring communities to borrow materials free of charge. Currently, libraries are reimbursed by the State for each such transaction. Shifting the funding to Enrich Iowa would eliminate Open Access reimbursements and increase Enrich Iowa allocations.

**Copies Available** Copies of the Enrich Iowa status report are available from the State Library.

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

Department of Corrections Required Reports

**Reports Received** The Department of Corrections (DOC) has provided the following reports:

* Violator Aftercare Program reports from each of the eight Judicial District Departments of Correctional Services.



REPORT

* Enhanced vocational training opportunities within the Institutions.
* Iowa Corrections Offender Network (ICON) report.
* Iowa Prison Industries’ report regarding the dollar value of its products purchased by State agencies.
* Implementation of an intermediate criminal sanctions program from each of the eight Judicial District Departments of Correctional Services.

**Reports Available** Copies of the reports are available upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Weekly Medical Assistance Expenditures for the Department of Human Services



**Medical Asst. Program** For the week ending January 15, 2001, FY 2001 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $8.7 million (42.5% of budget). This is $11.8 million below the weekly budget established by the Department. Year-to-date Medical Assistance General Fund expenditures are $202.3 million, which is $5.9 million (2.8%) below the amount budgeted for the fiscal year-to-date.

**Expenditures Monitored** The LFB will continue to monitor Medical Assistance Program expenditures and will provide regular updates to members of the General Assembly. More information is available from the Fiscal Bureau.



STAFF CONTACT: Sue Lerdal (Ext. 17794)

Staff Changes

**New Staff** The Legislative Fiscal Bureau welcomes two new staff members. Mary Beth Mellick has recently joined the staff and is assigned to the Transportation, Infrastructure, and Capitals Appropriations Subcommittee with Dave Reynolds. Lisa Burk has also recently joined the staff and is assigned to the Health and Human Rights Appropriations Subcommittee with Russ Trimble.



**Farewell** Deb Anderson is leaving the Fiscal Bureau after four years. Deb staffed the Human Services Appropriations Subcommittee for three years and had previously staffed the Administration and Regulation Subcommittee. She is joining the staff of the Department of Inspections and Appeals as Program Manager for social and charitable gambling. We wish Deb the best in her new endeavors and will miss her expertise in Human Services issues.

LFB Contact: Dennis Prouty (Ext. 13509)

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