FISCAL UPDATE March 19, 2001

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Revenue Estimating Conference Lowers FY 2001 and FY 2002 Projections

**REC Meeting** The Revenue Estimating Conference (REC) met March 14 to review FY 2001 and FY 2002 estimated General Fund revenues. Net General Fund receipts over the two fiscal years were lowered a total of $328.2 million.



**FY 2001 Estimate Decreased** The REC revised downward the total FY 2001 General Fund tax and other receipts estimate established in December to $5.131 billion. Net receipts (total taxes, other receipts, and transfers, minus refunds) were revised downward from $4.845 billion to $4.680 billion, reflecting decreased estimates for almost all revenue sources. The REC action resulted in estimated FY 2001 net General Fund receipts growth of $61.9 million (1.3%) compared to actual FY 2000 net receipts.

**FY 2002 Estimate Decreased** The REC also revised downward the FY 2002 total tax and other receipts estimate established in December to $5.353 billion, which is 4.3% above the revised FY 2001 estimate. Net receipts (total taxes, other receipts, and transfers, minus refunds) were set at $4.825 billion. The REC action resulted in estimated FY 2002 net General Fund receipts growth of $145.2 million (3.1%) compared to estimated FY 2001 net receipts. The significant difference in the estimated percentage growth in taxes and other receipts (4.3%) versus net receipts (3.1%) is due to the inclusion of $64.6 million in Tobacco Settlement Funds in estimated transfers for FY 2001.



**Gambling Revenue Estimates** The Conference lowered the estimate for gambling receipts deposited to other funds for both years. The revisions reduced FY 2001 revenues by $3.8 million and FY 2002 revenues by $2.8 million. Gambling proceeds to the General Fund are statutorily capped at $60.0 million, with the excess deposited to the Rebuild Iowa Infrastructure Fund, Vision Iowa Fund, and School Infrastructure Fund.

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**Lottery Estimate** The Lottery estimates for FY 2001 and FY 2002 remained unchanged at $32.5 million for each year.

**Spreadsheet Format** At the October meeting, the REC modified the General Fund estimation procedure and the format of the reporting spreadsheet. The change relates to transfers to the General Fund. In the past, transfers, including items such as Lottery profits, indirect cost reimbursements, and excess funds from the Prison Infrastructure Fund, have not been included in the net General Fund receipts estimate. The shaded subtotal line on the following spreadsheet, labeled “Total Tax & Other Receipts,” corresponds to the line labeled “Total Receipts” on previous reports. The new subtotal line, labeled “Total Receipts and Transfers,” provides a more complete account of General Fund receipts in a given year, as it includes transferred money for the year. The line labeled “Net General Fund Receipts” corresponds to the “Net Receipts” line in previous reports, but has been adjusted for transfers to the General Fund as well as tax refunds. This modification will provide a more complete picture of the change in net General Fund receipts available from one year to the next.

 **Estimates by Source** The spreadsheet below details the latest REC estimates by source of revenue. (Dollars in millions)



STAFF CONTACT: Jeff Robinson (Ext. 14614)

Deappropriations Bill – SF 267 Item Vetoed by the Governor

**SF 267 – Deapprop. Bill** Senate File 267 was line-item vetoed by the Governor on March 13. The original Bill had a net impact on the General Fund of $25.6 million. After the line item vetoes, the net impact on the General Fund is $7.9 million.

**Item Vetoes** The following sections were line-item vetoed by the Governor:



* Division III, Section 3 in its entirety required a one percent reduction for most General Fund appropriations. The Governor stated that an across- the-board reduction would cause education and human services programs to bear the brunt of the cuts.
* Division VI, Sections 17 and 18 would have reduced the State’s contribution to the Judicial Retirement System. The Governor stated that reducing the contributions to the fund would delay the achievement of the long-held goal of fully funding the Judicial Retirement System.

**Impact on General Fund** The deappropriated amount after line-item vetoes is equal to 0.2% of the current total General Fund appropriated amount of $4.882 billion. The Bill also provided a supplemental appropriation of $142,000 to the Department of Revenue and Finance for the administration of the Local Option Sales and Services Taxes.

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EMPLOYMENT SECURITY ADMINISTRATIVE CONTRIBUTION SURCHARGE BILL PASSES BOTH SENATE AND HOUSE Standing COMMITTEES



**SF 333** Senate File 333 passed the Senate Committee on Business and Labor Relations on March 15. The Bill extends the repeal of the employment security administrative contribution surcharge to July 1, 2003, instead of July 1, 2001. The Bill changes the surcharge for calendar years 2002 and 2003. Currently the surcharge is one-tenth of one percent of federal taxable wages, capped at $7.16 per employee. This formula yields approximately $7.5 million per year, which is used to support 56 rural and satellite offices of the Iowa Workforce Development (IWD). Under SF 333, the formula would still be established as a percentage of taxable wages, but would be capped at a maximum collected of $6.0 million for calendar year 2002 and $5.0 million for calendar year 2003.



**House Bill** The House Economic Development Standing Committee passed HSB 209 on March 15, which is a companion bill to SF 333. In addition to the funding change, the Bills require IWD to collocate rural and satellite offices at community college facilities, and require the surcharge fund be used only for specified purposes as provided in the Code of Iowa or appropriated by the General Assembly. In addition, the Department is directed to conduct an annual review of the rural and satellite offices and consider consolidation of offices while developing a customer satisfaction survey to gather information from employers and individuals who utilize the offices. Review findings are to be submitted by December 21, 2001, and December 21, 2002, to the Governor and the General Assembly.

**Fiscal Impact**  Iowa Workforce Development has indicated that the fiscal impact of these bills will be to close some offices and reduce services to Iowans. Further analysis of the impact of these bills will be available from the Legislative Fiscal Bureau.

STAFF CONTACT: Alice Wisner (Ext. 14611)

Bottle Bill Expansion – SF 194 Passes Senate Natural Resources Standing Committee

**Bottle Bill Expansion** The Senate Natural Resources Standing Committee passed SF 194 (Bottle Bill Expansion) on March 15. Some of the changes are:



* Expands the types of containers to include containers made of glass, metal, and plastic containing a beverage that is sealed by a manufacturer. This includes any carbonated and noncarbonated beverages, with the exception of milk products. This also excludes half-gallon containers made of high-density polyethylene for fruit juices and fruit drinks.
* Maintains the current five-cent deposit but allows the consumer to return the container for a five-cent refund at an approved redemption center or to dispose of the container in a curbside-recycling bin and forfeit the deposit.
* Establishes a Container Redemption Fund and an Abandoned Refund Value. A non-profit Steward appointed by the distributors and approved by the Department of Natural Resources will administer the Container Redemption Fund. The Container Redemption Fund will receive payment from distributors selling beverage containers. At the end of each quarter of the year, the Steward will determine the final balance of the Container Redemption Fund. Half of the balance of this Fund will be deemed the Abandoned Refund Value and will be used for the following projects:

|  |  |  |  |
| --- | --- | --- | --- |
| **Program Description** | **FY 2003** | **FY 2004** | **FY 2005** |
| Administration  | 10% | 7% | 5% |
| Redemption Center Development | 30% | 20% | 10% |
| Solid Waste Planning Areas | 30% | 30% | 30% |
| Iowa Beautiful Land Acct. | 30% | 30% | 30% |
| Restore the Outdoors | 0% | 8% | 20% |
| Bottle Bill Scholarship Fund | 0% | 5% | 5% |
| Total | 100% | 100% | 100% |

* Specifies that redemption centers will be approved by the Steward and further specifies that dealers can operate as redemption centers when their operations are located outside to the business area. Allows a redemption center to refuse beverage containers when they are altered in size and to deduct payment for containers that are not covered in the Bottle Bill Expansion.



REPORT

* Specifies that non-participating distributors will pay a three-cent handling fee.
* Specifies that the Steward can establish a pilot project that allows a solid waste planning area to operate as a redemption center. This will include receiving empty beverage containers and refunding the deposit to the consumer.
* Specifies that the Steward will submit an annual financial report detailing the Container Redemption Fund to the Department of Natural Resources by January 15. Further specifies that the Department will work with the Steward to submit a report to the General Assembly every five years detailing the operations of the Bottle Bill.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Iowa Communications Network (ICN) Video Classrooms



**ICN Classrooms** Since the end of January 2001, the Iowa Communications Network (ICN) has added five interactive video classrooms, at the Bellevue, Sioux Center, and Grinnell Public Libraries, and at the Evansdale and Fontanelle Middle Schools. This brings the total number of classrooms to 744. The total number of classrooms that will be included in the Network at the end of the Part III build out is estimated at over 800. This will include multiple classrooms at several authorized sites. The table below presents the current distribution of sites by type of authorized user.

 IOWA COMMUNICATIONS NETWORK

|  |  |
| --- | --- |
| Area Education Agencies | 16 |
| Community Colleges | 99 |
| K-12 School Districts | 387 |
| Other Education | 8 |
| Libraries | 48 |
| Medical Facilities | 9 |
| Private Colleges | 19 |
| Regents Institutions | 31 |
| National Guard | 56 |
| State Agencies | 51 |
| Federal | 16 |
| Miscellaneous | 4 |
| Classrooms Total | 744 |

**Web Site** This information is updated weekly and is available on the Internet at <http://www.icn.state.ia.us/about/clickmap/clickmap.htm>**.** If you would like a copy of the complete list of sites and their locations and do not have access to the Internet, you may contact the LFB and request a copy.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Board of Regents Meeting

**Board Meeting Scheduled** The Board of Regents is scheduled to meet on March 21 and 22 at the University of Northern Iowa in Cedar Falls. Agenda items scheduled to be discussed include:



* Interinstitutional Committee on Educational Coordination
* M.S. Program in Information Systems at Iowa State University (ISU)
* Bachelor of Arts in Women’s Studies, University of Iowa (SUI)
* Craniofacial Anomalies Research Center, SUI
* Accreditation Reports – SUI
* College of Public Health
* Program in Urban and Regional Planning
* Spring Enrollment Report
* Annual Report on International Agreements and Study Abroad
* Report on the meeting of the Iowa Coordinating Council for Post-High School Education
* Report of the Banking Committee
* Report on the Legislative Session
* Ratification of Collective Bargaining Agreements
* Resident Systems – Annual Governance Reports, Ten-year Plans, Preliminary FY 2002 Budgets, and Proposed 2001-2002 Residence Rates
* Annual Report on Statewide Family Practice Training Program

**April Meeting** The next meeting of the Board of Regents is scheduled for April 18 at the Iowa Braille and Sight Saving School in Vinton, and April 19 at the University of Iowa in Iowa City.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Iowa Public Television Merges Two Fund-Raising Units

**Fund-raising Groups Merged** At a joint meeting of the Iowa Public Broadcasting Board, the Friends of Iowa Public Television (IPTV) Board, and the IPTV Foundation Board, actions were taken to complete a merger of the two fund-raising groups.



**IPTV Foundation** The Iowa Public Television Foundation, a 501(c)(3) corporation, has historically taken on the role of major fund-raising from corporations. The Foundation raised over $7.0 million in a capital campaign and has established and administers an endowment currently valued at more than $3.5 million.

**Friends of Public Television** Friends of Iowa Public Television, also a 501(c)(3) corporation, has served primarily as a membership organization to support IPTV. Membership has grown to over 72,000, raising more than $5.0 million annually.

**Board Action** On March 5, the three boards approved merging the assets of Friends of IPTV into the IPTV Foundation Corporation and placed the Friends Corporation in dormant status. New bylaws and articles of incorporation were adopted. Current members of both boards were merged into one 27-member board, and a process to reduce the board over a three-year period to nine members was approved.

**More Information** Contact Iowa Public Television at 242-3100 for further information about the Iowa Public Television Foundation.

STAFF CONTACT: Robin Madison (Ext. 15270)

March Meeting of the Council on Human Services

**Council Meeting** The Council on Human Services met March 14 and conducted the following business:

* Administrative rule changes, including:
* Approving the removal of the policy regarding purchase of social services contracting by the Department of Human Services on behalf of counties for local purchase of services. Information indicates no fiscal impact.

Administrative

 Rules

* Approving changes governing services for children eligible for certain court services. Information indicates no fiscal impact.
* Approving that notice be made for the following proposed administrative rule changes:

Changes to implement a case mix system for reimbursing certain nursing facilities for Medicaid recipients. Information indicates that the changes are budget neutral within the FY 2002 proposed budget.

Departmental responsibilities regarding notifying sexual offenders of the requirement to register with the Iowa Sex Offender Registry. Information indicates no fiscal impact.

Permits the Child Support Recovery Unit to send a medical support notice to an employer in lieu of the child support order. Information indicates a minimal cost which is to be available from the existing budget.

Changes to implement federal regulations regarding food stamps. Fiscal information was not provided regarding the possible State administration cost related to these changes. Changes related to the eligibility for the direct food stamp benefit is entirely federal funding.

Public hearings for a proposed rule change regarding nonpayment from Medicaid regarding weight loss drugs. Fiscal information was not provided.

* Received a report regarding legislative activities.
* Received an update regarding the Dual Diagnosis Program at the Mental Health Institute at Mount Pleasant.
* Received information regarding the Iowa Juvenile Home at Toledo.



* Received an update regarding the Healthy and Well Kids in Iowa (HAWK-I) Program.
* Received information regarding technology within the Department.

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

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