FISCAL UPDATE April 18, 2001

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 Status of Appropriations Bills

 as of April 18 at 7:00 A.m.

| **Appropriations Subcommittee Bills** |
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| **Appropriations Subcommittee** |  |  **LSB/File #** |  | **Status** |
| Admin./Regulation |  |  1101 S |  | Passed Joint Subcommittee on April 16. Bill starts in Senate. |
| Ag./Natural Resources |  |  1102 H |  | Passed Joint Subcommittee on April 12. Bill starts in House. |
| Economic Development |  |  HF 718 |  | Passed House Approps on April 17.  |
| Education |  | 1104 S |  | In Joint Subcommittee. Bill starts in Senate. |
| Health/Human Rights |  | 1105 H  |  | Passed Joint Subcommittee on April 16. Bill starts in House. |
| Human Services |  | 1106 H |  | In Joint Subcommittee. Bill starts in House. |
| Justice System  |  | 1107 S  SF 527  |  | Justice System Bill - Passed Senate Approps on April 17.Judicial Dept. Bill - Passed Senate Approps on April 17.  |
| Oversight & Comm. |  |  HF 719 |  | Passed House Approps on April 17.  |

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| Trans., Infrastruc- ture, & Caps. |  |  SF 528 |  | Transportation Appropriations Bill passed Senate Approps on April 17. Infrastructure Bill in Joint Subcommittee. Bill starts in House. |

STAFF CONTACT: Holly Lyons (Ext. 17845)

Administration and Regulation Appropriations Subcommittee Meeting

**Admin./Regulation Sub.** The Administration and Regulation Appropriations Subcommittee met the week of April 9 to discuss the FY 2002 budget and to review the process for the remainder of the subcommittee.

**FY 2002 Priorities** On April 11, the Subcommittee held a discussion on budget priorities for FY 2002, including:



* Foster Care Review Board - The Governor’s Revised FY 2002 recommendations reduces the appropriation by $417,000 (52.1%), changes the Board to an advisory board, and places most of the powers and duties with the Department of Inspections and Appeals. The Subcommittee discussed maintaining the current system.
* Federal Match Funds – Several divisions within the Department of Inspections and Appeals receive federal match dollars and would likely be exempted from budget reductions.



* Read-to-Work Coordinator – The Governor’s Revised FY 2002 recommendation shifts the funding that came from the Health Insurance Premium Reserve Fund in FY 2001 to the Long-term Disability Fund.
* Secretary of State – The Administration and Elections Division is charged with redistricting functions for municipalities once the General Assembly approves a redistricting plan this session. The Subcommittee discussed possible ways of obtaining funding for the Office to purchase redistricting computer software.

**Subcommittee Bill** On April 12, the appropriations bill and tracking documents were distributed. Discussion was held regarding the timeline for passage. The Subcommittee will meet April 16 to consider the Bill.

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

Economic Development Appropriations Subcommittee meeting

**Economic Devel. Subcom.** The Economic Development Appropriations Subcommittee met April 12 and passed an appropriations bill. The Bill appropriates $32.8 million and 1,219.9 FTE positions. This is a decrease of $4.2 million (11.2%) and 21.4 (17.2%) FTE positions compared to the estimated FY 2002 net appropriation. Major changes by department include:



**Dept. of Econ. Development Department of Economic Development:** Appropriates a total of $18.9 million from the General Fund and 221.8 FTE positions, a decrease of $3.0 million (13.7%) and an increase of 7.8 (3.6%) FTE positions compared to the FY 2001 estimated net appropriation.

* Major changes to the General Fund include:
* A decrease of $110,000 for programs within the Administrative Services Division.



* A decrease of $534,000 and an increase of 1.0 FTE position for programs within the Business Development Division. The Value-Added Agricultural Products and Process Program will be funded by another Bill. The net result is an increase of $2.8 million from the General Fund for the Strategic Investment Fund.
* A decrease of $658,000 for programs within the Community and Rural Development Division.
* A decrease of $1.4 million for advertising and operations in the Tourism Division.
* A decrease of $240,000 for programs within the International Division.
* Major changes in other funds include:

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* Requires the Iowa Finance Authority to transfer unencumbered and unobligated monies from the Iowa Housing Corporation into the Housing Trust Fund and appropriates $500,000 from the Housing Trust Fund for housing development assistance programs to offset a corresponding decrease in the General Fund. These changes are dependent upon passage of HF 694.
* Appropriates $1.2 million from the FY 2002 Community Attraction and Tourism Fund to partially offset the General Fund reduction to the tourism advertising budget.
* Reduces the cap on the Workforce Development Fund Account from $8.0 million to $4.0 million. The reduction in tax diversions will result in a decrease in funds for workforce training programs at the DED and the community colleges. The General Fund will receive an increase of $4.0 million in revenues.

**Regents Regents Universities:** Appropriates a total of $7.2 million from the General Fund and 73.53 FTE positions, a decrease of $458,000 (6.0%) and 0.6 (0.8%) FTE position compared to the FY 2001 estimated net appropriation.



**Workforce Development Iowa Workforce Development:** Appropriates a total of $5.9 million from the General Fund and 129.5 FTE positions to the Iowa Workforce Development, a decrease of $746,000 (11.2%) and 3.7 FTE positions (2.8%) compared to the FY 2001 estimated net appropriation. (There are 781.63 FTE positions funded through other funds which are not reflected in this Bill.) Major changes include:

* A decrease of $143,000 to the Workers’ Compensation Division.
* A decrease of $210,000 to the Labor Division.
* No funding for the Welfare-to-Work Program. This is a decrease in general funds of $153,000. No funding was requested or recommended because the Program will end in FY 2003 and the already appropriated funds should be enough to meet client needs.
* A decrease of $249,000 for New Employment Opportunities. It has been determined that this amount will be unspent from the FY 2001 appropriation of $500,000 at the end of the fiscal year and will be allowed to not revert. With an FY 2002 appropriation of $251,270, the total amount available in FY 2002 will be approximately $500,000.
* Major changes in other funds include:



* A transfer of $67,000 from General Funds for Employment Statistics to funding from the Penalty and Interest Fund.
* A transfer of $30,000 from General Funds to Job Training Funds for phase-out funding of existing labor management projects. This is a decrease of $39,652 and 0.25 FTE position compared to the FY 2001 estimated net appropriation.
* Pending legislative action on SF 491 and HF 696, which extend the administrative contribution surcharge but cap the amount which may be collected at $6.0 million, a mid-range estimate of $5.75 million and 63.8 FTE positions has been made. This Bill allows IWD to spend what is collected during FY 2002.

**Employment Relations Public Employment Relations Board:**  Appropriates $857,000 from the General Fund and 12.8 FTE positions to the Public Employment Relations Board, a decrease of $55,000 (6.0%) and no change in FTE positions compared to the FY 2001 estimated net appropriation.

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

Oversight and Communications Appropriations Subcommittee meeting

**Oversight/Communications** The Oversight and Communications Appropriations Subcommittee met on April 11 and 12.

**Presentations** On April 11, the Subcommittee heard presentations on and discussed the following:



* Larry Murphy made a presentation for the Judicial Branch on the possibility of establishing a fee-based program to allow remote access of Judicial System information currently available only at courthouses. Mr. Murphy stated that the Judicial Branch was prepared to implement whatever policy the General Assembly determines appropriate, but stressed they would need resources for implementation. A subcommittee consisting of Representatives Jenkins and Falck and Senators King and Shearer was appointed to develop a recommendation for the Subcommittee.
* Staff of the Legislative Fiscal Bureau reviewed the proposed Subcommittee bill and discussed the proposed reductions, which averaged 30.0% for each operation appropriation.



**Subcommittee Bill** On April 12, the Subcommittee amended the appropriations bill draft and passed it out of Subcommittee. The Bill appropriates $18.4 million from the General Fund and 286.3 FTE positions for the departments under the Subcommittee. This is a decrease of $4.5 million and 60.2 FTE positions compared to estimated net FY 2001.

**General Fund Changes** Significant General Fund changes compared to the estimated net FY 2001 level included the following:

* A decrease of $653,000 and 1.0 FTE position for Iowa Public Television.



* A decrease of $948,000 and no change in FTE positions for the Iowa Telecommunications and Technology Commission.
* A decrease of $1.4 million and 59.2 FTE positions for the Information Technology Department (ITD).
* A decrease of $1.5 million for the Treasurer of State for payment of debt service on the certificates of participation issued for the build out of Parts I and II of the Iowa Communications Network (ICN).

**Other Fund Changes** Significant other fund appropriations and allocations include the following:

* A Rebuild Iowa Infrastructure Fund (RIIF) appropriation of $13.0 million to the Pooled Technology Account. These funds are allocated for the following specified purposes:



* $3.0 million to the Department of Education for Community College Technology.
* $1.5 million to the University of Northern Iowa for the 21st Century Learning Initiative.
* $1.5 million to the Department of Education for non public school technology.
* $2.7 million to the Iowa Telecommunications and Technology Commission for maintenance and lease costs of the ICN tail circuits.
* $4.3 million to the ITD for various technology projects.
* An amendment to the 2000 Iowa Acts, providing an FY 2002 allocation of $1.4 million to the Treasurer of State for payment of debt service for the ICN, from funds available in the Pooled Technology Account in FY 2001. This allocation and the FY 2002 General Fund appropriation listed above will provide the necessary amount of funding to pay the debt service obligation for FY 2002.

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

Transportation, Infrastructure, and Capitals Appropriations Subcommittee meeting

**Trans., Infras., & Capitals** The Transportation, Infrastructure, and Capitals Appropriations Subcommittee passed the Transportation Appropriations Bill on April 12. The Bill appropriates a total of $274.9 million to the Department of Transportation (DOT), a decrease of $9.4 million (3.3%) compared to estimated net FY 2001. The Bill appropriates funds from the following sources: $13.4 million from the General Fund, $36.4 million from the Road Use Tax Fund, $225.1 million from the Primary Road Fund.

**Highlights** The Bill is summarized below:



* Appropriates $2.2 million from the General Fund for airport engineering studies and improvement projects, a decrease of $186,000 compared to estimated net FY 2001.
* Appropriates $600,000 from the General Fund for the Rail Assistance Program and to provide economic development project funding. This is a decrease of $2,000 compared to estimated net FY 2001.
* Decreases the standing appropriation for Public Transit Assistance by $660,000 for FY 2002.
* Appropriates $4.0 million from the Road Use Tax Fund for the Driver License Digitized Imaging System, an increase of $1.9 million compared to estimated net FY 2001.
* Appropriates $36.6 million from the Road Use Tax Fund and the Primary Road Fund for the Operations and Finance Division, a decrease of $1.8 million compared to estimated net FY 2001.
* Appropriates $3.7 million from the Road Use Tax Fund and the Primary Road Fund for the Administrative Services Division, a decrease of $3.2 million compared to estimated net FY 2001.
* Appropriates $9.2 million from the Road Use Tax Fund and the Primary Road Fund for the Planning Division, a decrease of $1.3 million compared to estimated net FY 2001.



* Appropriates $26.9 million from the Road Use Tax Fund and the Primary Road Fund for the Motor Vehicle Division, a decrease of $1.4 million compared to estimated net FY 2001.
* Appropriates $166.2 million from the Primary Road Fund for the Highway Division. This is a new Division created by the DOT for FY 2002.
* Appropriates $850,000 from the Road Use Tax Fund and the Primary Road Fund for payment to the General Fund for indirect cost recoveries, an increase of $100,000 compared to estimated net FY 2001.
* Appropriates $345,000 from the Road Use Tax Fund and the Primary Road Fund for reimbursement to the Auditor of State for audit expenses, an increase of $4,800 compared to estimated net FY 2001.



Driver’s License

* Appropriates $30,000 from the Road Use Tax Fund for the county issuance of drivers’ licenses, an increase of $10,000 compared to estimated net FY 2001.
* Appropriates $50,000 from the Road Use Tax Fund for membership of the North America’s Super Highway Corridor Coalition.
* Appropriates $158,000 from the Road Use Tax Fund to the City of Cedar Falls for improvements to West 23rd Street adjoining the University of Northern Iowa.
* Appropriates $5.3 million from the Primary Road Fund to the Materials and Equipment Replacement Revolving Fund for inflationary costs of replacing equipment purchased through the revolving fund. This is a decrease of $1.0 million compared to estimated net FY 2001.
* Appropriates $2.0 million from the Road Use Tax Fund and the Primary Road Fund for worker’s compensation costs, an increase of $420,000 compared to estimated net FY 2001.
* Appropriates $800,000 from the Primary Road Fund for contractual services for hazardous waste disposal, a decrease of $200,000 compared to estimated net FY 2001.



* Appropriates $850,000 from the Road Use Tax Fund and the Primary Road Fund for payment to the General Fund for indirect cost recoveries, an increase of $90,000 compared to estimated net FY 2001.
* Appropriates $1.5 million from the Primary Road Fund for renovation of the first floor of the DOT Administration Building at the Ames Complex. This is a new appropriation for FY 2002.
* Appropriates $350,000 from the Primary Road Fund for construction of a telecommunications staging facility at the Ames Complex. This is a new appropriation for FY 2002.
* Appropriates $320,000 from the Primary Road Fund for construction of an addition to the regional materials testing laboratory in Cedar Rapids. This is a new appropriation for FY 2002.
* Appropriates $350,000 from the Primary Road Fund for the replacement of exhaust systems at DOT field maintenance facilities. This is a new appropriation for FY 2002.
* Appropriates $351,500 from the Primary Road Fund for deferred maintenance projects at DOT field facilities throughout the State. This is a new appropriation for FY 2002.
* Appropriates $200,000 from the Primary Road Fund to conduct a site utilization study of the DOT Ames Complex. The study will address the loss of parking and three office buildings that will occur when the City of Ames implements improvements to Lincoln Way and Grand Avenues. This is a new appropriation for FY 2002.

**Statutory Changes** The Bill also makes the following statutory changes:



* Allows the DOT to use an annual appropriation of $650,000 from the Road Use Tax Fund for purchase of automation and telecommunications equipment in county treasurer offices. Under current law, the funds can only be used for purchase of equipment and supplies for vehicle registration and titling.
* Allows the DOT Commission to transfer funds from the Revitalize Iowa’s Sound Economy (RISE) Fund to the Primary Road Fund when funding is inadequate to meet anticipated road construction costs. The transferred funds shall be repaid to the RISE Fund within six months after transfer.
* Eliminates the driver’s license Renewal by Mail Program.

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University Foundation Rankings



**Survey Data *The Chronicle of Higher Education*** recently released an article regarding performance of college and university foundations. Information for the report was collected via a survey of 569 institutions by the National Association of College and University Business Officers (NACUBO). The data ranks each surveyed institution by size of total fund assets as of June 30, 2000.

**Investment Returns** Collectively during FY 2000, the institutions surveyed posted an average rate of return of 13.0% on investments, up from 11.0% in 1999. As a comparison, the Russell Index, which represents about 98.0% of the American equities market, returned 9.6% during FY 2000. The Standard & Poor’s 500 Composite Index returned 7.2%.

**Iowa Colleges/Universities** Iowa colleges and universities included in the survey are listed below. The percentage change shows how much the market value of an endowment changed during FY 2000. This figure includes growth from gifts and returns on investments, as well as reductions from expenditures and withdrawals.



 **Iowa College and University Foundation Rankings**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  | **Market Value (in thousands)** | **One-year** |
| **Rank** | **Institution** | **30-Jun-99** | **30-Jun-00** | **change** |
| 59 | Grinnell College | $1,020,372  | $862,487  | -15.50% |
| 83 | University of Iowa and Fdn. | 476,800  | 537,061  | 12.60% |
| 110 | Iowa State Univ. and Fdn. | 266,348  | 410,704  | 54.20% |
| 273 | Drake University\* | 103,485  | 118,525  | 14.50% |
| 275 | Buena Vista University | 111,718  | 117,561  | 5.20% |
| 349 | Cornell College | 58,327  | 68,313  | 17.10% |
| 353 | Simpson College\* | 55,870  | 67,707  | 21.20% |
| 376 | Luther College | 45,771  | 57,841  | 26.40% |
| 403 | Central College | 44,738  | 48,958  | 9.40% |
| 436 | Coe College | 43,066  | 40,604  | -5.70% |
| 470 | Northwestern College | 29,264  | 33,720  | 15.20% |
| 481 | Morningside College\* | 31,383  | 30,582  | -2.50% |
| 523 | University of Dubuque\* | 19,589  | 19,468  | -0.60% |
|  | \*As of May 31 |  |  |  |

**Final Report** This information reflects preliminary results of the annual survey by NACUBO. The final report is due in May.

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Tobacco Settlement Authority Meeting



**Tobacco Settlement Auth.** The Tobacco Settlement Authority met March 28 in the Kennedy Room at the State Capitol Building. They reviewed recent tobacco securitization activity by other states, including:

* Washington, D.C., refunded existing debt by issuing a $545.0 tax-exempt sale. South Carolina issued $900.0 million, of which $700.0 million was tax-exempt. Both sales were successful and the market had a broader number of buyers compared to previous sales by governmental entities.
* South Dakota and Nevada are planning issues for late June through September. Wisconsin has legislation pending. Louisiana is planning a $1.6 billion issue, while Florida is actively planning an issue.



**Historical Bond Yields** Public Financial Management (PFM), financial advisor to the Authority, reviewed historical yields on 30-year revenue debt. The market is at a historic low that lowers the cost of issuance. PFM also reviewed the flow of funds for a tax-exempt securitization and five scenarios for tobacco securitization. They highlighted:

* A $400.0 million partial securitization with a six-year buy down of capital projects. A second securitization could be issued in the future. Existing debt service for the Iowa Communications Network (ICN), prison bonds, and Board of Regents debt service plus Rebuild Iowa Infrastructure Fund (RIIF) capital projects is required. RIIF projects for FY 2002 and FY 2003 would total $49.0 million each year, $48.5 million in FY 2004, $36.1 million for FY 2005 and FY 2006 each year, and $13.7 million for FY 2007. This is expected to generate a healthcare endowment of $999.8 million by June 30, 2030.
* A full securitization of $600.0 million, of which $450.0 million is tax-exempt and $150.0 million is taxable. Existing debt service for the ICN, prison bonds, and Board of Regents debt service plus RIIF capital projects is required. RIIF projects for FY 2002 and FY 2003 would total $63.6 million each year, $63.5 million in FY 2004, $45.8 million for FY 2005 and FY 2006 each year, and $25.5 million for FY 2007. This is expected to generate a healthcare endowment of $1.0 billion by June 30, 2030.
* A full securitization of $718.0 million with tax-exempt status and a six-year buy down of capital projects. Existing debt service for the ICN, prison bonds, and Board of Regents debt service plus RIIF capital projects is required. RIIF projects for FY 2002 and FY 2003 would total $111.0 million each year, $111.7 million in FY 2004, $77.13 million for FY 2005 and FY 2006 each year, and $63.9 million for FY 2007. This is expected to generate a healthcare endowment of $1.3 billion by June 30, 2030.

**Direction Requested** A suggested working draft for proposed legislation to authorize the securitization was distributed. Legal counsel indicated that they need direction from the General Assembly for the amount of capital projects reasonably expected to be authorized and funded over the next six years. Legal counsel stated that it would be ideal if the General Assembly would formulate a five-year or six-year capital plan.

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