FISCAL UPDATE October 16, 2001

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

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

Revenue Estimating Conference Lowers FY 2002 and ESTABLISHES FY 2003 Estimates

**REC Meeting** The Revenue Estimating Conference (REC) met October 11 to review the FY 2002 General Fund receipts estimate and to establish the initial estimate for FY 2003 revenue.



**FY 2002 Estimate Decreased** The REC revised downward the FY 2002 total General Fund tax and other receipts estimate established in July to $5.213 billion (1.9% projected gross revenue growth). The net receipt estimate (total taxes, other receipts, and transfers, minus refunds) was decreased from $4.847 billion to $4.689 billion, reflecting decreased estimates for all major tax categories. The revision decreases available net General Fund FY 2002 revenue by $157.5 million. The REC action resulted in estimated FY 2002 net General Fund receipts growth of $16.8 million (0.4%) compared to actual FY 2001 net receipts.

**FY 2003 Estimate** The REC also established the estimate for FY 2003 total tax and other receipts at $5.314 billion, which is 1.9% increase from the FY 2002 estimate. Net receipts (total taxes, other receipts, and transfers, minus refunds) for FY 2003 were estimated to be $4.745 billion. The REC action resulted in estimated FY 2003 net General Fund receipts growth of $55.5 million (1.2%) compared to estimated FY 2002 net receipts.



|  |  |  |
| --- | --- | --- |
|  |  |  |
| **IN THIS ISSUE:** | Revenue Estimating Conference, pg. 1 | Appropriations Transfer, DNR, pg. 22 |
|  | Legislative Fiscal Committee, pg. 3 | Appropriations Transfer, Public Defender, pg. 23 |
|  | Legislative Oversight Committee, pg. 4 | General Services Maintenance Report, pg. 23 |
|  | Tobacco Settlement Authority Mtg., pg. 6  | ***Issue Review***–Community College Funding, pg. 24 |
|  | Iowa Empowerment Board Meeting, pg. 7 | Waterloo/Council Bluffs Dev. Grants, pg. 25 |
|  | Medical Assistance Advisory Council, pg. 8 | Coon Rapids/Keokuk RISE Grants, pg. 26 |
|  | Environmental Protection Comm., pg. 9 | Stuart Receives Rail Economic Dev. Grant, pg. 27 |
|  | Vertical Infrastructure Advisory Comm., pg. 13 | DOT Comm. Authorizes Transfers, pg. 28 |
|  | Board of Regents Meeting, pg. 14 | Highway Construction Contracts, pg. 29 |
|  | College Student Aid Commission, pg. 16 | DOT Special Equipment Auction, pg. 29 |
|  | ITTC FY 2003 Video Rates, pg. 16 | Medical Assistance Expenditures, pg. 30 |
|  | Education Account./Oversight Study, pg. 17 | Higher Ed/Federal Earmarked Funds, pg. 31 |
|  | Lottery Revenues/Expenditures, pg. 19 | Parole Board FY 2003 Gen Fund Request, pg. 34 |
|  | Knoxville Substance Abuse Facility, pg. 20 | Public Defender FY 2003 Gen Fund Req., pg. 34 |
|  | New Director/Commission for the Blind, pg. 20 | DOC FY 2003 General Fund Request, pg. 34 |
|  | Iowa Tax Expenditure Report, pg. 21 | Justice Dept. FY 2003 Gen Fund Request, pg. 36 |
|  | ICN Video Classroom Update, pg. 21 |  |
|  |  |  |

**Gambling Revenue Estimates** The Conference also revised and established the FY 2002 and FY 2003 estimates for gambling revenues transferred to three infrastructure funds. Gambling proceeds to the General Fund are statutorily capped at $60.0 million per year, with the excess deposited to the Rebuild Iowa Infrastructure Fund, Vision Iowa Fund, and School Infrastructure Fund. The Conference set the estimated amount to be transferred at $141.3 million in FY 2002 and $147.6 million in FY 2003. The estimate for Lottery profits deposited to the General Fund remained unchanged ($32.5 million) for FY 2002, and was set at $33.5 million for FY 2003.

**Estimates by Source** The spreadsheet below details the latest REC estimates by source of revenue.



STAFF CONTACT: Jeff Robinson (Ext. 14614)

Legislative Fiscal Committee



**Fiscal Committee** The Legislative Fiscal Committee met on September 26 at the University of Northern Iowa in Cedar Falls. The Committee toured Lang Hall, the Physics Building, the East Gym, and the newly constructed Gallagher-Bluedorn Performing Arts Center. The Committee heard presentations from the following:

* Dennis Prouty, LFB, presented information on the State’s revenue position and the projected ending balance for FY 2001 and FY 2002.
* Cynthia Eisenhauer, Department of Management, discussed the Governor’s proposed FY 2002 Budget Reductions.
* Dave Reynolds, LFB, presented information on a lease-purchase agreement for routing and switching equipment by the Information Technology Department.
* Robin Madison, LFB, provided an ***Issue Review*** on Community College Funding.
* Janice Friedel, Administrator of the Division of Community Colleges and Workforce Preparation, Department of Education, discussed enrollment trends.
* Gene Gardner, Executive Director of the Iowa Association of Community College Trustees, discussed a comparison of fall-term 2000 and fall-term 2001 enrollment counts.
* The following Community College presidents discussed tuition increases:

Bettsey Barhorst, Hawkeye Community College.

Robert Denson, Northeast Iowa Community College.

Robert Dunker, Western Iowa Tech.

* Shawn Snyder, LFB, provided information regarding estimating FY 2001-2002 K-12 federal and state funding sources and presented an ***Issue Review*** on Budget Guarantee Provision Changes.
* Board of Regents President Owen Newlin discussed the Board’s mission and the FY 2002 budget reductions.



**Next Meeting** The next meeting is scheduled for Wednesday, October 24 at 10:00 a.m. in the Legislative Dining Room in the State Capitol Building. The tentative agenda will include:

* Discussion of the FY 2001 ending balance and the FY 2002 budget reductions.
* Federal Funds Update by Phil Buchan, State/Federal Office in Washington, D. C.
* Status of negotiation of the settlement for back overtime pay for troopers and other State employees.
* Update on the Destination Park.
* Tobacco Securitization Update.

**More Information** More information is available from the Legislative Fiscal Bureau.

STAFF CONTACT: Holly Lyons (Ext. 17845) Tim Faller (Ext. 14615)

Legislative Oversight Committee

**Oversight Meeting** The Legislative Oversight Committee met on September 27 and 28 in Room 19 and via the Iowa Communications Network at remote sites.



 On September 27, the Committee heard presentations on and discussed the following:

**State Energy Policy** Overview of Iowa’s State Energy Policy

* Diane Munns, Board Member, Iowa Utilities Board
* Tam Ormiston, Office of Consumer Advocate
* Bill Brand, Low Income Energy Assistance Program
* Lisa Davis-Cook, Iowa Citizen’s Action Network

**Other Energy Sources** Other Energy Sources - Sharon Tahtinen, Department of Natural Resources (DNR), gave a presentation on State Energy Policy and Programs. She explained how the DNR tracks monthly energy prices and supplies, advises the Governor’s office on energy prices and supplies, works with other states to coordinate efforts, and prepares for emergency situations. She also updated the Committee on other energy sources and stated that Iowa is currently the second largest producer of wind energy in the nation, behind California.

**Child Support** Child Support Recovery



* Nancy Thoma and Jeanne Nesbit, Department of Human Services (DHS), presented the Committee with an overview of the Iowa Child Support Recovery Program. Ms. Thoma explained the services provided by the Program and who the Program serves.
* Stu Vos, Department of Revenue and Finance, presented the Committee with information regarding a new child support recovery effort to be implemented by the Department beginning November 1, 2001.

**Children/Psychiatric Inst.** Psychiatric Medical Institutions for Children Client Participation

* Cathy Anderson, DHS, gave a presentation on the collection of client participation for children living in the psychiatric mental institutions.
* George Estles, Tanager Place in Cedar Rapids, presented the Committee with information regarding admission criteria, child support, insurance coverage, and independent living.



**Iowa Prescriptions Co-op** Iowa Prescription Cooperative - Stephen Gleason, Director, Department of Public Health, presented the Committee with an overview of the Iowa Prescription Cooperative. He introduced Dr. Carole Kuhle and she presented specific information regarding the Prescription Drug Discount Program. She explained that a working group was commissioned to create a plan where seniors would get discounts for pharmaceuticals.

 On September 28, the Committee heard presentations on and discussed the following:

**Blind/Visually Impaired** Issue Relating to Individuals Who Are Blind or Visually Impaired

* Dave Neil, Board of Regents, provided the Committee with information regarding oversight and governance of the Iowa Braille and Sight Saving School and the School for the Deaf. Mr. Neil explained that the Regents as a whole provide a great deal of assistance to both schools. The Board assists in capital projects, joint purchasing through Iowa State University, and internal audits.
* Dennis Thurman, Iowa Braille and Sight Saving School, gave a presentation on the School. He stated that the school is Iowa’s second oldest educational institution and serves children who are blind or visually impaired.
* Cal Sinn, Director of Vision, Area Education Agency 13 (AEA), presented the Committee with an overview of the functions of AEA 13, related to serving the visually impaired or blind students.
* Karen Blankenship, State Vision Coordinator, explained the function of the State consultant for the visually impaired. She stated that her department provides vision services, deaf blind services, and assistive technology and education.

**Dept. For The Blind** Iowa Department for the Blind – Review of Operations, Programs, Services and Funding Sources. The following individuals gave presentations regarding operations, programs, services, and funding sources of the Department for the Blind.

* Allen Harris, Director, Department for the Blind
* Bruce Snethen, Fiscal Management
* Louise Duvall, Vocational Rehabilitation & Independent Living Services
* Karen Keninger, Library Services
* Sandy Tigges, Program Administrator

**Nursing Shortage** Iowa’s Nursing Shortage



* Bonnie Wiltse, Project Director ICON Nursing Workforce Initiative, gave a presentation on the developing shortage of nurses in Iowa. The goal of the Nursing Workforce Initiative was to develop a nursing workforce prediction model, one that was sustainable over time and would allow educators, employers, legislators, and other interested parties to have accurate up-to-date information on the current and future nurse supply.
* Eileen Goor, Associate Director for Nursing Education, provided the Committee with information regarding essential health care services to all Iowans. She stated the nursing supply in Iowa reflects the national trend. The country is addressing a shortage that is projected to intensify as the general population ages and the need and accessibility of health care grows.

**Next Meeting** The next meeting of the Legislative Oversight Committee will be October 16 at the STARC Armory at Camp Dodge in the morning, and Room 19 at the State Capitol Building in the afternoon, and October 17 in Room 19 of the State Capitol Building.



**More Information** The meetings of the Legislative Oversight Committee are videotaped. Copies of the Legislative Oversight Committee meeting agendas, minutes, and handouts are posted on the LFB website at <http://staffweb.legis.state.ia.us/lfb>.

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

Tobacco Settlement Authority Meeting



**Authority Meeting** The Tobacco Settlement Authority met October 1. Jim Haddon of Salomon Smith Barney provided an update on tobacco market activity. No governmental entity has issued tobacco securities since the Tobacco Settlement Authority last met in July. Interest rate levels are still good for tobacco securitization even though the financial markets experienced disruption due to recent terrorist attacks in New York and Washington, D.C. Iowa’s bond issue is scheduled to occur October 11 and will close by the end of October. It will consist of short-term serial bonds, intermediate bonds, and long-term bonds. Interest rates are estimated to range from 4.8% for short-term serial bonds to 5.8% for long-term bonds. The State of Louisiana is scheduled to issue $900.0 million in tax-exempt tobacco bonds and $300.0 million in taxable securities on October 24. However, Iowa’s issue should clear the financial markets before Louisiana’s issue enters the market.

**Vendors Hired** The Tobacco Settlement Authority approved hiring U.S. Trust as its trustee and Image Masters as its printer. These vendors were secured through a competitive Request for Proposal (RFP) process administered by the Treasurer of State’s Office. The Tobacco Settlement Authority also issued its report to the Executive Council and Legislative Council as required by SF 532 (Tobacco Securitization Act).

**Authorizing Resolution** The Tobacco Settlement Authority also approved an Authorizing Resolution that:



* Authorizes and provides for the issuance of not more than $650.0 million in tobacco securities, including both taxable and tax-exempt bonds.
* Approves the form and authorizes the execution and delivery of the indenture and the sales agreement.
* Authorizes the preparation and distribution of a preliminary offering circular and a final offering circular.
* Authorizes the execution and delivery of a bond purchase contract awarding the sale of the bonds to Salomon Smith Barney, Inc., as representatives of the underwriters.
* Provides for the specification of the interest rates, maturity dates, and the redemption terms of the bonds.
* Authorizes the proper Officers of the Tobacco Settlement Authority to perform all acts necessary for carrying out the transactions necessary to implement the Resolution.

**Next Meeting** The next meeting of the Tobacco Settlement Authority is scheduled for October 24 in Des Moines.

STAFF CONTACT: Beth Lenstra (Ext. 16301) David Reynolds (Ext. 16934)

Iowa Empowerment Board Meeting



**Board Meeting** The quarterly meeting of the Iowa Empowerment Board was held on October 1. The discussion included:

* An administrative update from Kris Bell, Department of Management. She noted that FY 2002 school ready and early childhood grants have been paid to the local Community Empowerment Areas. The local boards have been informed of the Governor’s spending reductions and asked to anticipate the need to return a portion of their FY 2002 allocations.
* Ms. Bell also invited board members to participate in redesignation visits to the first three Empowerment Areas, scheduled as follows:

Lee Van Buren on October 9 at 9:00 a.m. in Fort Madison.

Appanoose Davis Lucas Monroe (ADLM) on October 18 at 4:00 p.m. in Moravia.

Linn County on October 30 at 3:30 p.m. in Cedar Rapids.



* Ms. Bell reported that FY 2001 annual reports were due from Empowerment Areas on September 14. The results of those reports will be summarized and published in the statewide Empowerment Annual Report to the General Assembly and the Governor in January.
* Leadership in both the House and Senate has agreed to convene a Community Empowerment Summit, tentatively scheduled for December 18. Suggestions for discussion topics are being sought. One possible topic is the potential merger of local Decategorization Boards and Empowerment Boards.
* The Board Members discussed the impact of the economic downturn on Empowerment funding and resources for early childhood services in general. They heard reports from the directors of the Department of Human Services and the Department of Education regarding their budgets. They discussed the role of the Iowa Empowerment Board and local Empowerment boards in providing information to legislators and the Governor regarding budget priorities.
* The Board listened to a presentation regarding the National Association for the Education of Young Children (NAEYC), including its accreditation process and the services it offers members. It was noted that less than 4.0% of Iowa’s childcare providers are accredited by NAEYC. Some local Empowerment boards work with local providers to seek accreditation. More information is available at [www.naeyc.org](http://www.naeyc.org).
* The Board listened to a presentation regarding a coalition of corporations and organizations in the greater Des Moines metropolitan area working to raise awareness of children’s issues and publicize the efforts and goals of existing pro-child efforts. The coalition, entitled “Is it good for the kids?,” includes the Annie E. Casey Foundation, the Boy Scouts of America, the Greater Des Moines Community Foundation, Mid-Iowa Health Foundation, Pioneer HI-Bred International, Principal Financial Group, Qwest, United Way, and Variety Club. More information is available on their website at [www.number1question.com](http://www.number1question.com).
* Representatives of the Story County Empowerment Area showcased their programs and efforts.

**More Information** More information is available upon request. The next meeting of the Iowa Empowerment Board is January 11, 2002.

STAFF CONTACT: Robin Madison (Ext. 15270) Sue Lerdal (Ext. 17794)

OCTOBER MEETING OF THE MEDICAL ASSISTANCE ADVISORY COUNCIL

**Council Meeting** The Medical Assistance Advisory Council met October 3 and conducted the following business:



* Received a report regarding the number of individuals eligible for Medicaid. For August 2001, there were 245,898 persons eligible for Medicaid compared to July 2001(first month of FY 2002), when there were 235,127 eligible. For August 2001, the total expenditures (both State and federal funding) were reported at $135.9 million compared to July 2001 when total expenditures of $152.7 million. For comparative purposes for the same month of August in FY 2001, there were 210,473 persons eligible for Medicaid and total expenditures were $123.8 million.
* Received information comparing eligibility and expenditures with other states, including:



Table of State by State Comparisons of Medicaid Expenditures for Federal Fiscal Year 1998 from federal expenditures reports filed with the Health Care Financing Administration (HCFA).

Table of State estimates of Medicaid funding and Medicaid recipients from 1980 through 1998 from HCFA.

Publication from National Association of State Budget Officers (NASBO) regarding Medicaid with some comparative state-by-state and regional data. Provider Taxes are also discussed with mention of states that utilize earmarking for Medicaid. There appears to be no comprehensive list of all states that may utilize provider taxes available. In recent years changes in federal regulations have caused compliance issues with states using provider taxes or keeping others from starting.

* Discussion of changes in administrative rules underway, including:
* Changes proposed relating to the payment of disproportionate share from the Graduate Medical Education and Disproportionate Share Fund when a hospital no longer qualifies for these payments.
* Changes in Prior Authorization for Drugs.
* Changes to Provider Claim Forms.
* Correction to cross-references for Provider Enrollment Standards.

These administrative rule changes will be included in a separate ***Fiscal Update*** relating to future Council on Human Services meetings.

* Discussion of the role of the Medical Assistance Advisory Council included optional meeting sites, meeting frequency, inviting legislators to meetings, handling rules through a consent agenda, meeting agendas, and quorum/membership. A decision was made to meet in February, March, and June, and at the discretion of the Chair of the Council at other times.

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

STAFF CONTACT: Sam Leto (Ext. 16764)

Environmental Proection Commission Holds Meetings in august and september

**Commission Meetings** The Environmental Protection Commission held meetings on August 20, September 17, and September 26. The following issues were discussed at the August meeting:

* Director Jeff Vonk discussed air emissions at confined animal feeding operations in Iowa. He explained that the Department contacted the College of Agriculture at Iowa State University and the College of Public Health at the University of Iowa to make recommendations on the impact of air quality around confined animal feeding operations. The Universities will have 12 members on a task force that will work with 12 outside members to develop recommendations to the Department. The information will be presented to the Environmental Protection Commission at a later date.
* Linda Hanson, Administrative Services Division, provided an update on the year-end financial statements. She explained that the Parks Division would have funds transferred to them from other Divisions, as camping receipts were down due to the rainy months of May and June.
* The Commission was asked to approve a Final Rule Change that requires sanitary disposal projects to file an Emergency Response and Remedial Action Plan to the Department. The Rule was approved and the Department expects receipt of the plans by December 31, 2001.
* The Commission was asked to approve a Final Rule Change regarding Water Quality Standards. The changes are in response to comments submitted by the Environmental Protection Agency. The Commission approved the Final Rule Change with the exception of exempting agriculture drainage ditch maintenance from antidegradation policy. The Commission wanted more information on this item that will be discussed at a future meeting.
* The Commission was asked to approve a $40,000 contract with the Iowa Farm Bureau Federation for implementation of the Iowa Farm-A-Syst Program that is a voluntary pollution risk assessment program used by states nationwide. The Program will be funded with federal funds. The contract was approved.
* The Commission was asked to approve an amendment to a contract with the Iowa Hygienic Laboratory for water quality monitoring of additional waterbodies in the State. The amendment is estimated to cost $57,000 and will be funded with federal funds.
* The Commission was asked to approve the Iowa Open Feedlot Plan that addresses the registration and regulation of open cattle feedlots. The Commission approved the plan.
* The Commission was asked to approve the Notice of Intended Action regarding submitting a manure management plan to the Department of Natural Resources 30 days prior to the construction of an animal feeding operation. The Department would date stamp the Manure Management Plan and send written notification to the owner that the plan was received. The Plan would include notification to the County Board of Supervisors and the County Auditor. The Notice of Intended Action was approved.
* The Commission was asked to approve the referral of Sunrise Dairy Farms to the Attorney General’s Office. The referral was approved.
* The Commission was informed of an assessed penalty of $10,000 to Shell Rock Products, Inc., for noncompliance of open burning, dumping, site cleanup, and air quality emissions. The Commission took no action and the penalty became the final decision of the Commission.
* The Commission was informed of an assessed penalty of $4,500 to Huxley Dry Cleaners for noncompliance of air quality standards. The Commission took no action and the penalty became the final decision of the Commission.

**Commission Meeting** The following issues were discussed at the September meeting:



* Director Jeff Vonk explained that the Department would be making adjustments to the FY 2002 budget, as receipts have been lower than expected. The Department has been discussing reorganization plans with the Governor to find other ways to reduce costs.
* The Commission was asked to approve a Notice of Intended Action for the certification of groundwater professionals. The Notice was approved.
* The Commission was asked to approve a Notice of Intended Action for changes regarding the registration fee of underground storage tanks. Owners and operators that do not register with the Department of Natural Resources will be charged a fee of $250. This also applies to persons not obtaining the annual tank tags. Persons are required to notify the Department prior to installing a new underground storage tank. The Notice was approved.
* The Commission was asked to approve a Notice of Intended Action regarding Title V permits. The Notice changes the period from notifying the Department for a significant modification from six months to three months. The Notice was approved.
* The Commission was asked to approve a Notice of Intended Action regarding definition of air emission units. The changes were negotiated with the Iowa Association of Business and Industry. A public hearing will be held on November 26. The Commission approved the Notice.
* The Commission was asked to approve the Final Rule regarding manure management plans. This amended the current law to allow animal confinement feeding operations to remove manure and apply it without an approved manure management plan. The original date was August 21, 2001, but was changed to September 18, 2001, due to an administrative oversight. With the extension of the date, there have been an additional 150 manure management plans submitted. The Commission approved the Final Rule.
* The Commission was asked to reverse the decision to issue a permit to Environ Eggs Production Company. The Department of Natural Resources, Environ Eggs Production Company, the Wright County Board of Supervisors, and the Attorney General’s Office made presentations. The Commission upheld the permit that was issued by the Department but has requested additional information to consider at a public meeting that will be held at a later date.
* The Commission was asked to refer action against Swine Graphics Enterprises to the Attorney General. The Department and Swine Graphics Enterprises made presentations. The Commission referred the case to the Attorney General.
* Mel Pin, Department of Natural Resources, provided an update on the Waste Tire Program. There have been over 10 million tires contained in stockpiles around the State and approximately eight million of them have been removed and recycled. The Program is scheduled to sunset on June 30, 2002, and the Department intends to have all of the waste tires removed at that time.

**Commission Meeting** The Commission held a teleconference meeting on September 26 to approve the budget request for FY 2003 for the Department of Natural Resources. The request included:

|  |  |  |  |
| --- | --- | --- | --- |
| **General Fund Description** | **Estimated** **FY 2002** | **Department Request FY 2003** | **Difference** |
| Administrative Services | $ 2,209,715 | $ 2,283,321 | $ 73,606 |
| Parks and Preserves | 6,398,891 | 7,048,891 | 650,000 |
| Forest and Prairies | 1,870,927 | 1,870,927 | 0 |
| Energy & Geology | 1,764,722 | 2,014,722 | 250,000 |
| Environmental Protection | 4,810,862 | 5,410,862 | 600,000 |
| Marine Fuel Tax | 411,311 | 411,311 | 0 |
| Water Quality Protection Fund | 0 | 729,000 | 729,000 |
|  Total General Fund | $17,466,428 | $19,769,034 | $2,302,606 |

 **General Fund Request**

|  |  |  |  |
| --- | --- | --- | --- |
| **Other Fund Description** | **Estimated** **FY 2002** | **Department Request FY 2003** | **Difference** |
| Fish and Wildlife Operations | $27,794,786 | $28,044,786 | $ 200,000 |
| Fish and Wildlife Capitals | 2,797,500 | 4,897,000 | 2,099,500 |
| Oil Overcharge | 430,000 | 200,000 | (230,000) |
| Underground Storage Tank | 75,000 | 75,000 | 0 |
| Snowmobile Fund | 100,000 | 100,000 | 0 |
| Boat Registration  | 1,400,000 | 1,400,000 | 0 |
|  Total Other Fund | $32,597,286 | $34,716,786 | $ 2,119,500 |

 **Other Fund Request**

|  |  |  |  |
| --- | --- | --- | --- |
| **Rebuild Iowa Infrastructure Fund** | **Estimated****FY 2002** | **Department Request** **FY 2003** | **Difference** |
| Destination Park (1) | $ 1,000,000 | $ 5,000,000 | $ 4,000,000 |
| Restore The Outdoors (1) | 2,500,000 | 2,500,000 | 0 |
| Resource Enhancement and Protection Fund (REAP) | 10,000,000 | 12,000,000 | 2,000,000 |
| Marine Fuel Tax Capitals | 2,300,000 | 2,300,000 | 0 |
| Lake Restoration  | 500,000 | 4,000,000 | 3,500,000 |
| Tree Planting Grants | 250,000 | 250,000 | 0 |
| Waste Tires | 250,000 | 250,000 | 0 |
| Water Quality Monitoring | 2,500,000 | 3,000,000 | 500,000 |
| Floodplain Permit Review | 180,000 | 180,000 | 0 |
| Geographic Information System | 195,000 | 195,000 | 0 |
| Keepers of the Land  | 70,000 | 100,000 | 30,000 |
| Water Quality Permit Review | 180,000 | 180,000 | 0 |
| Landforms & Ecosystems | 125,000 | 0 | (125,000) |
| Lewis & Clark Rural Water  | 60,000 | 0 | (60,000) |
|  Total RIIF | $20,110,000 | $29,955,000 | $9,845,000 |

 **Rebuild Iowa Infrastructure Fund (RIIF)**

 1. Funding for the Destination Park and the Restore the Outdoors Program was from the Tobacco Settlement Funds for FY 2002. In previous years, the funds were from the Rebuild Iowa Infrastructure Fund.

**Five-Year Capitals Budget**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Funding Source** | **FY 2003** | **FY 2004** | **FY 2005** | **FY 2006** | **FY 2007** |
| Fish & Wildlife Trust Fund | $ 4,897,000 | $ 7,487,000 | $ 6,545,000 | $ 5,290,000 | $11,527,000 |
| Marine Fuel Tax | 2,620,000 | 2,640,000 | 2,350,000 | 2,628,000 | 2,505,000 |
| Park & Institutional Roads  | 2,604,000 | 2,438,000 | 2,293,000 | 2,351,000 | 2,094,000 |
| Sewage Works Revolving Loan | 1,144,051 | 1,660,000 | 0 | 0 | 0 |
| REAP Open Spaces | 3,873,238 | 4,809,183 | 4,879,346 | 4,847,668 | 3,872,453 |
| REAP Land Management | 1,126,800 | 1,126,800 | 1,126,800 | 1,126,800 | 1,126,800 |
| Restore the Outdoors | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| Lake & Stream Restoration | 4,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
|  Total Capitals | $22,765,089 | $27,660,983 | $24,694,146 | $23,743,468 | $28,625,253 |

**Next Meeting** The next meeting will be held on October 15.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Governor’s Vertical Infrastructure Advisory Committee

**Committee Meeting** The Governor’s Vertical Infrastructure Advisory Committee met September 13 at the Iowa Public Television facility in Johnston. After a tour of the Iowa Public Television facility, the Committee reviewed the following agenda items:



**Routine Maintenance Prj.** **Status of Routine Maintenance Projects:** The Department of General Services stated that approximately three-fourths ($1.5 million) of the $2.0 million appropriated for routine maintenance projects in FY 2001 had been expended. The Department has until June 30, 2003, to obligate these funds. The Department also reported the first quarter allocations of the FY 2002 appropriation of $2.0 million had been made to the designated State agencies. The Department continues to provide quarterly updates of routine maintenance to the Legislative Fiscal Bureau, which are subsequently forwarded to the Transportation, Infrastructure, and Capitals Appropriations Subcommittee.

**Major Maintenance Prj. Status of Major Maintenance Projects:** The Department presented a status report for FY 2001 and FY 2002 major maintenance projects. Of the $10.5 million appropriated in FY 2001, State agencies have encumbered approximately $9.1 million (86.2%). As with routine maintenance funding, the Department has until June 30, 2003, to obligate the funds. The FY 2002 projects are still in the earlier stages of planning and development. The Department was appropriated $11.5 million for FY 2002, of which $744,000 (6.5%) has been encumbered. A copy of the major maintenance report is available upon request from the LFB.

**ADA Status Report Americans with Disabilities Act (ADA) projects status report:** The Department allocates $500,000 annually from the major maintenance appropriation for facility modifications that address compliance with the Americans with Disabilities Act requirements. The Department has identified ADA projects for FY 2001 and FY 2002. The projects have received funding allocations and are included within the Major Maintenance Report. The Committee briefly discussed the issue of installing handicapped evacuation chairs in State buildings. The ADA Advisory Committee is continuing discussions with other State agencies on how best to address this issue.

**Monument Restoration Monument Restoration:** The Department has established an initial inventory of monuments located on State properties. The list currently includes a total of 30 monuments located throughout the State. The list will be used to begin the development of a State monument database. The Department is developing a Request for Proposal (RFP), which would include an assessment of monument conditions, development of a database of monument conditions, and establishment of a budget and schedule for the ongoing repair and maintenance of the monuments. The cost of the study is estimated at $100,000. Funding for the study has yet to be identified.



**Vertical Infrastructure Vertical Infrastructure Database:** The Department discussed ways in which the Vertical Infrastructure Database, which was completed in FY 2000, could be updated. The database includes information on building conditions and deficiencies and the estimated cost to repair the more serious deficiencies. The database will require periodic updates to keep the conditions of the building current. The Department is also developing methods to calculate building replacement costs, which will be incorporated into the database. The replacement costs will be used to help in the assessment of overall building conditions as well as the cost/benefit of making improvements.

**Website Vertical Infrastructure Website:** The Department is in the process of developing a webpage that would include information about the Vertical Infrastructure Program, including status reports for routine and major maintenance.

**Strategic Plan Strategic Plan:** The Committee discussed final changes to the FY 2002 Strategic Plan for Preserving Iowa’s Buildings and Monuments. The final draft will be presented to the Committee in October. The Plan includes the goals and strategies for implementing the Vertical Infrastructure Program.

STAFF CONTACT: David Reynolds (Ext. 16934)

Board of Regents Meeting - September

**Board Meeting** The Board of Regents met on September 12 and 13 at the University of Iowa in Iowa City. Significant agenda items include:



* Annual Student Financial Aid Report. This Report provides information about the sources and levels of financial assistance available to students who attend Regent universities. These are summarized below:

|  |  |  |
| --- | --- | --- |
| Type of Financial Aid | Percent of AwardsFY 2001 | Percent of AwardsFY 2000 |
| Grants | 24.4% | 23.5% |
| Loans | 52.1% | 50.3% |
| Employment | 23.5% | 26.2% |

 During the 2000-2001 academic year, there were 156,649 student financial aid awards totaling $483.8 million. This is an increase of 4.9% in funds and 1.9% in the number of awards. The average award per student increased from $3,002 to $3,088 (2.9%).

 Student indebtedness for academic year 2000-2001 is summarized below:

|  |  |
| --- | --- |
| Proportion of seniors graduating without debt SUI ISU UNI | 33%38%33%29% |
| Proportion of seniors graduating without need-based debt SUI ISU UNI | 46%59%40%38% |
| Average indebtedness for graduating seniors – all sources | $12,683 |
| Average need-based indebtedness for graduating seniors | $6,561 |
| Average non-need-based indebtedness for graduating seniors | $7,317 |

* Annual Institutional Reports on Academic Program Review/Student Outcomes Assessment – The Report provided summary information on 36 program reviews, including outcomes assessments, completed during the 1999-2000 academic year. Quality assurance efforts include regional and professional accreditation reports, post-audit reports, special reports, program reviews, and student outcomes assessment reports.

#### FY 2003

 ****

* Operating Appropriations Requests for FY 2003 – The Board gave final approval to the FY 2003 budget request that was reviewed at the July meeting. The budget request includes new funding of $13.5 million (2.5%) plus full funding of salaries.
* Capital Appropriations Requests for FY 2003 - The Board gave final approval to the FY 2003 capitals request that was reviewed at the July meeting. The request includes $71.7 million for capitals and deferred maintenance and $26.0 million for tuition replacement.
* Final Five-Year Capital Improvement Plan (FY 2003-FY2007) – The Board gave final approval to the five-year capital plan that was reviewed at the July meeting. The total request for the five-year plan is $314.9 million.
* Tuition Policies and Proposed Rates - The Board Office proposed an increase in base tuition of 11.5%. This consists of 9.5% for an inflationary adjustment based on the Higher Education Price Index (HEPI) and 2.0% to improve quality. This proposal would increase tuition at all three Regents universities from $3,116 to $3,474 for resident undergraduate students. The increase would result in estimated gross revenues of $33.2 million. Representatives from the respective student body of each institution made presentations urging the Board to reduce the Board Office proposal to a lower rate. However, each of the University Presidents indicated the need for tuition to be increased a minimum of 15.0%. The Board approved a motion by Regent Turner to defer final action on the tuition increase until November and directed the Board Office to provide a proposal for a larger increase at the October meeting.
* Annual Report on Retirement Programs - The Board of Regents currently has two retirement programs in place – a phased retirement program and an early retirement incentive program. During FY 2001, a total of 41 employees entered the phased retirement program, resulting in an estimated savings of $2.4 million. The early retirement incentive program allows employees to retire as early as age 57. During FY 2001, a total of 254 employees entered the program, resulting in $9.7 million in released funds during the early retirement period of these employees.
* Annual Report on Energy Conservation – The Report provides information on energy conservation efforts and provides a means of assessing the efficiency and effectiveness of the operations of the Regents institutions. The Regents have reduced energy consumption on a BTU (British Thermal Unit) per gross square foot basis since FY 1979 (the peak consumption year) as follows:
* SUI – a decrease of 21.1%
* ISU – a decrease of 34.0%
* UNI – a decrease of 14.0%

**More Information** Additional details about the Regent Board meetings, including agendas and docket memos is available at the Board’s website at <http://www2.state.ia.us/regents/meetings/meetings.html>

**Next Meeting** The next meeting of the Board of Regents is scheduled for October 17 and 18 at Iowa State University in Ames.

STAFF CONTACT: Mary Shipman (Ext. 14617)

College Student Aid Commission Meetings - August and September

**Commission Meetings** The College Student Aid Commission met on August 30 and September 13 to review recommendations for the FY 2003 budget request. The budget request as approved by the Commission includes:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Budget Unit** | **Actual****FY 2001** | **Estimated****FY 2002** | **FY 2003****Request** | **Dollar****Change****From****FY 2002** | **Percent****Change****From****FY 2002** |
| Scholarship and Grant Admin. | $ 337,534 | $ 329,032 | $ 329,032 | $ 0 | 0.0% |
| State of Iowa Scholarship Program | 498,540 | 498,540 | 498,540 | 0 | 0.0% |
| Tuition Grant Program | 48,830,075 | 48,830,075 | 49,930,075 | 1,100,000 | 2.3% |
| Vocational-Technical Tuition Grant Prg. | 2,482,400 | 2,482,400 | 2,632,400 | 150,000 | 6.0% |
| College Work Study Program | 2,750,000 | 0 | 2,750,000 | 2,750,000 | 100.0% |
| Iowa Grant Program | 1,144,850 | 1,076,159 | 1,141,159 | 65,000 | 6.0% |
| National Guard Program | 1,250,000 | 1,175,000 | 1,175,000 | 0 | 0.0% |
| Osteopathic Forgivable Loan Program | 254,260 | 100,000 | 420,000 | 320,000 | 320.0% |
| Osteopathic Physician Recruitment | 395,000 | 371,300 | 371,300 | 0 | 0.0% |
| Chiropractic Forgivable Loan Program | 100,000 | 94,000 | 94,000 | 0 | 0.0% |
| Teacher Shortage Forgivable Loan Prg. | 525,000 | 493,500 | 493,500 | 0 | 0.0% |
| ACE Grants | 250,000 | 235,000 | 235,000 | 0 | 0.0% |
|  Total | $58,817,659 | $55,685,006 | $60,070,006 | $4,385,000 | 7.9% |

STAFF CONTACT: Mary Shipman (Ext. 14617)

Iowa Telecommunications and Technology Commission Set Video Rates for FY 2003

**Commission Meeting** On September 13, the Iowa Telecommunications and Technology Commission set new rates for FY 2003 for video services. Below are the new rates by category of user.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **User Category**  |  | **Charge per Hour****7/01/01** |  | **Charge per Hour****7/01/02** |
| K-12 and Library use\* |  | $ 6.10 |  | $12.20 |
| Community College use |  | 7.35 |  | 7.75 |
| Private University use |  | 7.35 |  | 8.10 |
| Regents Institution use  |  | 7.35 |  | 8.10 |
| Other Training use  |  | 7.35 |  | 8.10 |
| Administrative use  |  | 13.40 |  | 14.75 |
| Federal and Telemedicine |  | 48.20 |  | 53.00 |

* The rate for K-12 schools and libraries rose significantly, however, the net rate per hour will be less that the FY 2002 rate with the refund from the Universal Service Fund.

**State-level Consortium** To assist the public and private K-12 schools and public libraries, the Department of Education is in the process of applying for a state-level consortium, which would allow all of them to file for Universal Service Fund rebates under one master application.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Education Accountablility and Oversight Interim Study Committee



**Interim Committee** On September 18, the Education Accountability and Oversight Interim Study Committee conducted the first of three meetings. The charge of the Committee is to conduct a comprehensive study of team-based variable pay and make recommendations for the implementation of a team-based variable pay plan component of the Student Achievement and Teacher Quality Program Act (Senate File 476).

**Purpose of Legislation** The director of the Department of Education, Ted Stilwill, presented opening remarks and an overview of the legislation. He indicated the purpose of the legislation was not only to increase teacher pay, but to improve school instruction as well.

**Mentoring Program** A presentation concerning the status of the Mentoring Program was given by Mary Beth Schroeder Fracek of the Department of Education. Of the 371 school districts, 270 had applied to enter the Program by the first deadline of August 15 for implementation in the first semester of the 2001-2002 school year. The second deadline is November 1 for second semester implementation, and Ms. Schroeder Fracek stated she expected more school districts to apply by then.

**Evaluation Criteria/Training** Judy Jeffries of the Department of Education gave presentations concerning evaluation criteria and evaluation training. Ms. Jeffries indicated the Department will review the State’s teaching standards, and the evaluators will be trained based upon those standards. It was also stated that there will be major changes to the role of administrators.

**Farm Bureau Donation** Jon Muller, representative of the Iowa Association of School Boards, presented information on the donation of $200,000 by the Iowa Farm Bureau Federation. Mr. Muller reported an estimated 65 school districts may have a shortfall in funding to increase beginning teacher pay and the donation may allow school districts to participate that previously may have declined. He also stated school districts must meet certain criteria to qualify for this donation. The application deadline to qualify for these funds is October 1.

**Staff Development** Mr. Stilwill and Ms. Jeffries presented information on the definition of staff development day. They defined what can and cannot be counted as a professional development day.

**Variable Pay Program** Ms. Jeffries gave an update on the progress of the Team Based Variable Pay Program established in SF 476. The deadline to apply for the Program is October 1. As of the meeting, no applications had been received.

**Future Meetings** Two more meetings of the Committee will be scheduled before the 2002 Legislative Session. However, the next meeting time has not been established. For further information, contact the Legislative Fiscal Bureau.

 LFB STAFF CONTACT: Shawn Snyder (Ext. 17799)

LSB STAFF CONTACT: Kathy Hanlon (Est. 1-3847

LOTTERY REVENUES AND EXPENDITURES THROUGH AUGUST



**August Rev./Exp.** Through August, FY 2002 Lottery game revenues increased $10.7 million from the FY 2001 level. Lottery prize expenses increased $5.7 million, operating expenses increased $0.7 million, and transfers to State funds increased $4.4 million. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.

**Comparison to FY 2001** Fiscal year sales through August, compared to the same time period of FY 2001, were as follows:



* Instant ticket sales decreased $1.4 million (10.7%).
* Pick 3 sales increased $50,000 (7.9%).
* Multi-State Powerball sales increased $12.4 million (177.9%).
* Freeplay Replay sales decreased $131,000 (66.9%).
* Cash 4 Life sales decreased $436,000 (100.0%).
* Daily Game sales decreased $6,000 (0.8%).
* Pull-tab sales decreased $2,000 (0.0%).

**Ticket Sales** Total Lottery sales through August were $37.2 million, an increase of $10.7 million (40.5%) compared to August 2000. July through August 2001 sales for Powerball and Pick 3 were above sales for the same period during FY 2001. Rolldown, which was not offered until September of 2000, had sales through August of $291,000. Rolldown replaced Cash 4 Life September 8, 2000.

**Estimated Transfers** The July Revenue Estimating Conference (REC) projected FY 2002 Lottery profit transfers to the General Fund will total $32.5 million. Actual profit transfer for FY 2001 was $35.4 million. Therefore, the REC is currently estimating General Fund Lottery transfers will be $2.9 million (8.2%) lower in FY 2002 than in FY 2001. Through August, FY 2002 transfers to the General Fund are $4.4 million (85.1%) above FY 2001. The books have not been closed for FY 2001. Therefore, the final numbers for FY 2001 are still subject to change.

**Sales Tax** In addition to the amount transferred to the State as profits, the Lottery has transferred $1.9 million in sales tax during FY 2002.

STAFF CONTACT: Ron Robinson (Ext. 16256)

Knoxville Substance Abuse Treatment Facility



**Substance Abuse Facility** Senate File 537 created a substance abuse treatment facility for probation clients with a substance abuse problem. The Act appropriates $2.0 million and 60.0 FTE positions to the Department of Public Health to operate a 100-bed facility for a partial year in Knoxville. The FY 2002 funding source was a one-time source of funds from tobacco receipts received under the Master Settlement Agreement.

**Leasing Facility** The Department of General Services is in the process of leasing the facility from the U.S. Department of Veterans Affairs. Once the lease is secured, minor renovations will begin. The Department of Public Health is working with the Department of Personnel to establish two management positions. Once these positions are filled, remaining staff will be hired.

**Task Force** The Department of Public Health is creating a task force composed of judges, Community-Based Corrections (CBC) staff, substance abuse treatment providers, the Department of Corrections, and the Office of Drug Control Policy. This task force will establish administrative rules for the facility.

**Opening in March** The facility is scheduled to open in March 2002. Department of Public Health plans to staff and operate 50 beds at this time. The remaining 50 beds will become operational if additional funding is provided.

**Alternative to Incarceration** The Knoxville substance abuse treatment facility will serve as an alternative to prison incarceration. Probation clients will be sent to this treatment facility rather than sentenced to prison.

STAFF CONTACT: Beth Lenstra (Ext. 16301) Russ Trimble (Ext. 14613)

Iowa Commission for the Blind Appoints New Director

**New Director** On August 17, the Iowa Commission for the Blind announced a unanimous decision to appoint Allen C. Harris of Albany, New York, as the new Director for the Iowa Department for the Blind.

**Former Position** Mr. Harris has been employed as Bureau Chief for Field Operations and Implementation for the New York State Commission for the Blind and Visually Handicapped. In this position, he was responsible for all policies dealing with blind consumers. In addition, he managed a staff of 100 and administered a Vocational Rehabilitation budget of $20.0 million. Mr. Harris’ other work experience includes years of teaching government and sociology and coaching varsity wrestling at public high schools in Dearborn, Michigan.

 Mr. Harris will begin his employment with the State on September 18, replacing Director Creig R. Slayton, who retired August 31 after 36 years in State government.

STAFF CONTACT: Lisa Burk (Ext. 16765)

Department of Revenue and Finance Releases Iowa Tax Expenditure Report



**Report Released** The Iowa Department of Revenue and Finance released a report entitled “Iowa Tax Expenditures 2000” in July. The purpose of the 103 page report is to improve government accountability by providing fiscal estimates of the tax advantage realized by Iowa taxpayers due to the inclusion in the Iowa tax code of 280 tax exemptions, exclusions, credits, and tax base reductions. The report provides estimates for tax items involving the personal income tax, sales tax, use tax, and corporate income tax.

**Tax Expenditures** The Department report provides estimates of 218 of the 280 identified tax expenditures. The total dollar impact of the 218 items is $3.86 billion in calendar year 2000. The identified revenue impacts relate only to the State General Fund. The two largest items reported were the deduction from personal income of federal income taxes paid at $596.3 million and the sales tax exemption for groceries at $247.5 million.

**More Information** The document is available at [www.state.ia.us/tax/taxlaw/taxexp01.pdf](http://www.state.ia.us/tax/taxlaw/taxexp01.pdf).

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Iowa Communications Network (ICN) Video Classroom Update



**ICN Classrooms** Since the end of March 2001, the Iowa Communications Network (ICN) has added 11 interactive video classrooms. This brings the total number of classrooms to 755. 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 | 100 |
| K-12 School Districts | 389 |
| Other Education | 8 |
| Libraries | 49 |
| Medical Facilities | 11 |
| Private Colleges | 19 |
| Regents Institutions | 32 |
| National Guard | 59 |
| State Agencies | 49 |
| Federal | 19 |
| Miscellaneous | 4 |
| Classrooms Total | 755 |

****

 **Website**

**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)

FY 2001 Appropriations Transfer -- Department of Natural Resources

****

**Appropriations Transfer** The Legislative Fiscal Bureau (LFB) received notice of an appropriations transfer under Section 8.39, Code of Iowa. The following amounts will be transferred in to the Department of Natural Resources:

* Parks and Preserves Division will transfer in $236,000 due to higher vehicle costs, such as fuel and increased maintenance activities. Camping receipts were lower than budgeted due to the rainy weather in the spring.
* Environmental Protection Division will transfer in $105,000, as the federal funds received for the Water Quality Planning Program were less than budgeted. There have been increased costs associated with livestock regulation activities.

**Transferred From** The following amounts will be transferred out of the Department of Natural Resources:

* Administrative Division will transfer out $150,000. Supplies and equipment purchases were delayed for FY 2001.
* Forest and Prairies Division will transfer out $30,000, as receipts were higher than budgeted.
* Energy and Geology Division will transfer out $75,000, as reimbursements will be slightly higher than budgeted levels. The Division has also delayed purchase of supplies and equipment.

**Rationale for Transfer** The Department of Education will transfer $86,000 to the Department of Natural Resources. This amount is to cover the cost of retiring two Park Rangers. The Department usually receives a supplemental appropriation for this expenditure but did not receive one this year.

STAFF CONTACT: Deb Kozel (Ext. 16767)

FY 2001 Appropriations Transfer - State Public Defender’s Office

****

**Appropriations Transfer** The Legislative Fiscal Bureau (LFB) received notice of an appropriations transfer under Section 8.39, Code of Iowa. The Indigent Defense Fund will receive an appropriations transfer from the Department of Corrections, Fort Dodge Correctional Facility, of $475,000 to pay for outstanding expense claims from attorneys for representing indigent criminal clients. The funds were available to transfer from the Fort Dodge Correctional Facility due to savings in salaries, travel, and supplies.

**Previous Notification** The LFB had been previously notified of an allocation transfer of $620,000 from the Indigent Defense Fund to the State Public Defender’s Office for payroll and operating expenses. The LFB has recently been notified that $130,000 of that transfer will be reallocated back to the Indigent Defense Fund. Therefore, a net $490,000 was reallocated from the Indigent Defense Fund to the State Public Defender’s Office during FY 2001.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Department of General Services - Routine Maintenance Quarterly Report



**Report Submitted** The Department of General Services submitted the fourth quarter routine maintenance report in accordance with Chapter 1225, Section 5(3), 2000 Iowa Acts. The report details the allocation and expenditure of funds appropriated for routine maintenance. The General Assembly appropriated $2.0 million for FY 2001 to the Department for routine maintenance needs of State facilities. The Governor’s Vertical Infrastructure Advisory Committee established the policy to distribute the funds to State agencies on a square-foot basis.

**Allocations** The following table summarizes the quarterly report and shows the total FY 2001 allocation for each State agency and the amount expended and encumbered through June 30, 2001.

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

STAFF CONTACT: David Reynolds (Ext. 16934)

*Issue Review* - Community College Funding

***Issue Review*** The Legislative Fiscal Bureau recently released an ***Issue Review*** providing an overview of the sources of revenue for Iowa’s 15 community colleges.

**Contents** The ***Issue Review*** includes information relating to:

* State appropriations, including descriptions of:
* The funding formula used by the Department of Education to prepare annual budget requests.

**Issue Review** 

* The formula used to calculate allocations to colleges when the annual appropriation increases.
* Other forms of State aid in addition to general aid, including funding under Chapters 260E, 260F, and 260G.
* Tuition and fees, including information on non-resident rates and reciprocal tuition agreements with institutions in neighboring states.
* Local property tax levies, including revenue data from the Department of Management for FY 2002.
* Other funding sources, including federal aid, sales and services income, and other income.

**National Data** National comparative data is provided where available.

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

STAFF CONTACT: Robin Madison (Ext. 15270)

Waterloo and Council Bluffs Receive Local Development Grants



**RISE Grants** In February 2001, the Department of Transportation (DOT) Commission received eight local development applications requesting $20 million in Rebuild Iowa’s Sound Economy (RISE) funds. On August 14, the Commission approved two of the eight grants for projects in Waterloo and Council Bluffs, for a total of $3.4 million.

**Waterloo Grant Waterloo -** The RISE grant will be used to assist in the reconstruction of portions of 18th Street and the 18th Street Bridge over the Cedar River in downtown Waterloo. This area is considered a Brownsfield designation site.

**Project Cost** The total cost of the project is $6.1 million. The City requested $2.1 million and will provide a 65% local match. The Commission awarded a grant of $2.1 million or up to 35% of the project cost, whichever is less, from the City share of the RISE fund. There are no contingencies for this project.

**Brownsfield Designation** A DOT representative said the site identified as a Brownsfield designation was a factor in the evaluation of the RISE grant. Recently the RISE administrative rules were updated to give points to projects located in a designated Brownsfield area. The 18th Street project will be the first Brownsfield site funded by the Commission.

**Council Bluffs Council Bluffs -** The RISE grant will be used to assist in the removal and reconstruction of portions of South 32nd Street and 29th Avenue, in addition to improving traffic signals at four locations on 23rd Avenue.

**Project Cost** The total cost of the project is $2.6 million. The City requested $1.3 million and will provide a 50% local match. The Commission awarded a grant of $1.3 million or up to 50% of the project cost, whichever is less, from the City share of the RISE fund. There are no contingencies for this project.

**Relationship to Other Projects** This project is associated with the development of the Mid-America Recreation and Convention Complex (MARCC), a proposed expansion at the Bluffs Run Casino, and possible future industrial development of approximately 60 acres of vacant property. The RISE application indicates 864,000 new visitors per year to the casino, including nearly 60,000 overnight visitors.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Coon Rapids and Keokuk Receive Rebuild Iowa’s Sound Economy (RISE) Grants

**RISE Grant/Coon Rapids Coon Rapids -** On June 19, the City of Coon Rapids filed a RISE Immediate Opportunity application requesting a grant of $83,000 to grade and pave approximately 622 feet of North Street to provide access to ET Video. After review, the project was shortened to 500 feet and the grant was reduced to $74,000.



**Project Costs** In addition to the RISE grant, the City of Coon Rapids proposes $19,000 local participation (20%) in the $93,000 road project. The RISE cost per job assisted will be $4,100, and there will be a total capital investment of $10.40 for each RISE dollar requested. The capital investment will provide office space, distribution, and shipping.

 According to the application, the roadway project will assist in:

* Creation of 18 new jobs at ET Video and
* $771,000 in associated capital investment.

**Grant Approved** On August 14, the DOT Commission approved the RISE grant of $74,000 or up to 80% of the total RISE eligible project cost, whichever is less, from the City share of the RISE fund. The grant was approved contingent on the following conditions:

* Consumption of the proposed economic development;
* Creation of 18 new jobs at ET Video within two years after completion of the RISE project; and
* Fulfillment of the legislative requirements for the RISE program.

**Average Starting Wage** ET Video provides rental videos in 1,200 convenience stores in 15 states. The Company’s average starting wage is $8.28 per hour, compared to $7.60 per hour, which is 75% of Carroll County’s average wage rate. The Company’s turnover rate is expected to be 10%.

**Forgivable Loan** The City of Coon Rapids also received a $60,000 Economic Development Set Aside (EDSA) forgivable loan from the Department of Economic Development to go toward construction of ET Video.

**RISE Grant/Keokuk** **Keokuk -** On May 29, the City of Keokuk filed a RISE Immediate Opportunity application requesting a grant of $571,000 to grade and pave approximately 1,400 feet of Royal Road and 300 feet of Sac Road. After review, the projects were shortened and the grant was reduced to $335,000.

**Project Costs** In addition to the RISE grant, the City of Keokuk proposes $140,000 local participation (29.5%) in the $475,000 road projects. The RISE cost per job assisted will be $5,491.80, and there will be a total capital investment of $7.88 for each RISE dollar requested.

 According to the application, the roadway projects will assist in:

* Creation of six new jobs at Keokuk Steel Castings;
* Creation of 12 new jobs and the retention of 43 existing jobs at Mississippi Blending; and
* $2,640,000 in associated capital investment.



**Grant Contingencies** On August 14, the DOT Commission approved the RISE grant of $335,000 or up to 70.5% of the total RISE eligible project cost, whichever is less, from the City share of the RISE fund. The grant was approved contingent on the following conditions:

* Consumption of the proposed economic development;
* Creation of six new jobs at Keokuk Steel Castings within two years after completion of the RISE project;
* Creation of 12 new jobs and retention of 43 existing jobs at Mississippi Blending within two years after completion of the RISE project;
* Paving the driveway and parking areas of Mississippi Blending and paving the driveway to Keokuk Steel Castings; and
* Fulfillment of the legislative requirements for the RISE program.

**Average Starting Wage** To meet increased production demands, the Royal Road and Sac Road projects will provide improved access to Keokuk Steel Castings and Mississippi Blending. The average starting wage at both facilities is $11.50 per hour, compared to $9.00 per hour, which is 75% of Lee County’s average wage rate. The turnover rate at both companies is expected to be less than 15%.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Stuart Receives Rail Economic Development Grant



**Grant for Reconstruction** On July 13, the City of Stuart filed a Rail Economic Development application requesting a $20,000 grant to reconstruct a 750-foot rail spur along the Iowa Interstate Railroad. The project will provide rail service to Heartland Organic Marketing Cooperative, a proposed new facility in Stuart, and an expansion to an already existing facility in Greenfield.

 According to the application, the rail project will assist in:

* Creation of five new jobs at Heartland Organic Marketing Cooperative and
* $780,000 in associated capital investment.

**Project Costs** The City of Stuart proposes $23,000 local participation (54%) in the $43,000 project. The Rail Economic Development cost per job assisted will be $4,000, and there will be a total capital investment of $39.00 for each Rail Economic Development dollar requested.



**Grant Contingencies** On August 14, the Department of Transportation (DOT) Commission approved the Rail Economic Development grant of $20,000 or up to 46% of the total project cost, whichever is less. The grant was approved contingent on the following conditions:

* Consumption of the proposed economic development;
* Creation of five new jobs at Heartland Organic Marketing Cooperative within two years after completion of the Rail Economic Development project; and
* Fulfillment of the legislative requirements for the Rail Economic Development Program.

**Average Starting Wage** The proposed expansion to the facility in Stuart will provide equipment to produce soybean oil and meal, as well as the ability to ship organic products by rail. The Company’s starting average wage rate is $8.00 to $13.00, compared to 75% of Guthrie County’s average wage rate of $7.00 per hour. The Company’s turnover rate is expected to be less than 5%.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

department of transportation (dot) Commission authorizes Transfer of Jurisdictions

**Statutory Provision** Section 306.8, Code of Iowa, states the following:

 *Prior to a change in jurisdiction of a road or street, the unit of government having jurisdiction shall either place the road or street and any structures on the road or street in good repair or provide for the transfer of money to the appropriate jurisdiction in an amount sufficient for the repairs to the road or street and any structures on the road or street.*



**Transfers Approved** On August 14, the DOT Commission approved the following transfer of jurisdictions:

* The District 3 Office will transfer 1 mile of Iowa 914 (formerly U.S. 71) to the City of Storm Lake. The DOT is to pay the City $930,000 as full compensation for the transfer.
* The District 4 Office will transfer 3 miles of Iowa 186 to Union County. The DOT is to pay the County $900,000 as full compensation for the transfer.
* The District 2 Office will transfer the jurisdictions listed below:

6 miles of portions of bypassed U.S. 18 and U.S. 218 to Floyd County and Charles City. The DOT is to pay $685,000 to Charles City and $2.4 million to Floyd County as full compensation for the transfers.

1.5 miles of county road T-64 will be transferred from Floyd County and Charles City to the State. The road is in good repair, and therefore will not require a transfer of money.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Highway Construction Contracts

**Highway Contracts** The Department of Transportation (DOT) notifies the Legislative Fiscal Bureau of all highway construction contracts in excess of $5.0 million. The Department awarded three contracts in August totaling $39.0 million. The contracts were granted as follows:

**Chickasaw County Chickasaw County -** To Fred Carlson Co., Inc., of Decorah:



* $8.7 million for 6 miles of new pavement on U.S. 63 just north of the U.S. 18/Iowa 346 Interchange, north to I & M Railroad.
* $183,000 for lighting on U.S. 63 from the U.S. 18/Iowa 346 Interchange, north to the LaSalle Avenue Interchange.

**Bremer County Bremer County -** To Fred Carlson Co., Inc., of Decorah:

* $36,000 for lighting on U.S. 218 at the Iowa 188 Interchange.
* $6.8 million for 7.5 miles of new pavement on U.S. 218 from 200th Street to just north of 130th Street.
* $55,600 for traffic signs on U.S. 218 from 200th Street to just north of 130th Street.

**Mahaska County Mahaska County -** To C.J. Moyna & Sons, Inc., of Elkader: $23.2 million for 5 miles of grading on Iowa 137 from just south of the U.S. 63/Iowa 137 Interchange to just north of G77.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Last Special Equipment Auction Held by Department of Transportation

**Auction Held** The Department of Transportation (DOT) held its last special equipment auction on September 22 in Harlan. A total of six special equipment auctions were held for the 27 DOT garages that closed on July 1. Bidders present included private citizens and people representing small companies. The auctions brought in a grand total of $552,000:

** Special Equipment Auctions**

**Equipment Sold** With the exception of the Sealed Bid Auction in Ames, items sold included small shop equipment and office equipment. Items that were up for bid and sold at the Sealed Bid Auction included trucks and heavy equipment:

**Ames Sealed Bid Auction**

**Large Equipment** Certain large equipment items did not sell because the bids were not high enough. The Department will try to sell those items at future auctions.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

FINAL FY 2001 MEDICAL ASSISTANCE EXPENDITURES UPDATE



**Medical Asst. Program** For the week ending August 27, 2001, FY 2001 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $3.2 million. This is $2.9 million above the weekly budget established by the Department of $300,000. Year-to-date General Fund expenditures are $464.1 million, which is $18.6 million over the $445.5 million budgeted by the Department for the fiscal year.

**More Information** More information is available from the Fiscal Bureau.

STAFF CONTACT: Sam Leto (Ext. 16764)

Higher Education Enjoys Record Year in Federal Earmarked Funds



**Federal Funds** Congressional spending earmarked for specific higher education institutions grew by 60 percent, to a record high level, for the 2001 federal fiscal year that began October 1, 2000. Congress directed federal agencies to award $1.7 billion to projects involving specific universities according to an analysis by ***The Chronicle of Higher Education***. The total is $624.0 million higher than last year and five times more than the 1996 total of $296.0 million.

**Iowa’s Ranking** In terms of total earmarked funds for FFY 2001, Iowa ranked 30th with a total of $14.3 million. In comparison, for the cumulative total of FFY 1997 – 2001, Iowa ranked 12th with a total of $110.6 million for the five-year period.

**Funds for Iowa** A listing of earmarked funds for Iowa schools, as reported by the ***Chronicle***, includes:



* Des Moines Area Community College - $500,000 from the Department of Labor for a distance-education program designed to provide training in manufacturing careers.
* Des Moines University Osteopathic Medical Center - $900,000 (Department of Health and Human Services) to develop a model program for training and education in geriatric care.
* Iowa State University – $18.7 million as follows:

$6.1 million (Department of Agriculture [USDA]) to be shared with 20 universities and a nonprofit laboratory to combat fusarium head blight, or scab, a fungus that damages wheat and barley.

$1.6 million (USDA) to be shared with three universities for the Animal Science Food Safety Consortium to improve safety of poultry and red-meat products.



$1.6 million (USDA) to be shared with the University of Iowa for the Iowa Biotechnology Consortium to conduct research on recycling waste from agricultural processing and reducing the impact on municipal waste-treatment systems.

$1.0 million (Department of Transportation) to be shared with three universities for the Center for Aviation Systems Reliability to develop ways to test the strength of aircraft structures and parts.

$1.0 million (Environmental Protection Agency [EPA]) to be shared with five universities for the Animal Waste Consortium to supplement research, demonstration, and outreach projects on animal-waste management.

$950,000 (National Aeronautics and Space Administration [NASA]) to be shared with Southern University at Baton Rouge for science and engineering education.

$950,000 (USDA) to be shared with the University of Missouri at Columbia for the Food and Agricultural Policy Research Institute.

$850,000 (Department of Health and Human Services) to develop a program to provide outreach, training, and counseling in rural areas.

$822,000 (USDA) to be shared with two universities for the Rural Policy Research Institute.

$750,000 (EPA) for the Resource and Agricultural Policy Systems Project.

$646,000 (USDA) for research to improve the global competitiveness of midwestern agricultural products.

$473,000 (USDA) for research to develop food with nutritionally optimal fat content and to improve the use of foods that contain “non-nutrient health protectants.”

$428,000 (USDA) for the Center for Agricultural and Rural Development, which studies agricultural trade policies.

$300,000 (Department of Transportation) for research on road pavement by ISU’s Transportation Research and Education Center.

$250,000 (Department of Education) to develop a program to increase the quality of mathematics and science education for elementary and secondary school students.



$248,000 (USDA) for research to render anhydrous ammonia ineffective in producing the illegal drug methamphetamine.

$225,000 (USDA) for research on food irradiation.

$200,000 (Department of Transportation) for research by the Engine Titanium Consortium to develop improved methods to inspect the safety of jet engines.

$190,000 (USDA) for research on “protein utilization.”

$50,000 (Department of Transportation) to study ways to increase the reflectivity of roadway lane stripes exposed to rain.

* Kirkwood Community College – $900,000 as follows:

$500,000 (Department of Labor) to be shared with a nonprofit organization for a program using distance education and computer programs to train workers for new jobs.

$400,000 (Department of Health and Human Services) to establish a National Mass Fatalities Training Response Center.

* Northeast Iowa Community College at Peosta - $195,000 (USDA) for the National Education Center for Agricultural Safety, which studies ways to reduce injuries and illnesses among farmers.



* University of Iowa – $4.6 million as follows ($1.6 million is also counted under ISU):

$2.0 million (Department of Defense) to be shared with seven universities for engineering research to improve the design of tanks, trucks, and other vehicles.

$1.6 million – see third bullet under ISU.

$900,000 (Department of Labor) for research on abusive and exploitative child labor.

$50,000 (Department of Transportation) to study ways to increase the reflectivity of roadway lane stripes exposed to rain.



* University of Northern Iowa - $5.2 million as follows:

$750,000 (EPA) for a project on painting and coating enhancement at the Iowa Waste Reduction Center.

$600,000 (Department of Education) to continue developing a demonstration program on ways to improve learning skills in young children.

$550,000 (Department of Defense) for the Mathematics Teacher Leadership Development Program.

$500,000 (Department of Education) to improve the teaching of mathematics and science.

$500,000 (EPA) for the Small Business Pollution Prevention Center.

$461,000 (Department of Education) to expand outreach by the National Institute of Technology for Inclusive Education, which puts computers in the homes of families that include children with disabilities.

$461,000 (Department of Labor) for a program to integrate immigrants and refugees into the work force.

$400,000 (Department of Justice) to offer services to women in programs for substance-abuse treatment who have also suffered domestic violence.

$350,000 (USDA) for research using vegetable-based oils to make industrial lubricants.

$350,000 (Department of Commerce) for the Science Center for Teaching, Outreach, and Research on Meteorology, which collects weather data in the Midwest.

$250,000 (Department of Health and Human Services) for the National Youth Fitness and Obesity Institute.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Board of Parole’s FY 2003 General Fund Budget Request

#### FY 2003

 ****

**FY 2003 Budget Request** The Board of Parole has submitted its FY 2003 General Fund budget request of $1.1 million and 16.5 FTE positions. This is an increase of $12,400 (1.2%) and no change in FTE positions compared to the FY 2002 estimated appropriation. The Board is requesting an additional $12,400 to increase the board member per diem budget from 151 to 166 days. This request would permit the Board to meet more often to review cases for parole, work release, and executive clemency.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Office of the State Public Defender’s FY 2003 General Fund Budget Request

#### FY 2003

 ****

**FY 2003 Budget Request** The Office of the State Public Defender has submitted its FY 2003 General Fund budget request of $39.1 million and 202.0 FTE positions. This is an increase of $3.9 million (10.9%) and no change in FTE positions compared to the FY 2002 estimated appropriation. Highlights include:

* Indigent Defense: A net increase of $3.3 million (16.8%) compared to the FY 2002 estimated appropriation. This request includes:
* An increase of $4.5 million to pay all FY 2003 attorney claims for providing indigent defense.
* A decrease of $1.2 million to reflect the savings associated with adding funds to the Office of the State Public Defender to allow all authorized positions to be filled, in order that private attorneys will handle fewer cases.
* Office of the State Public Defender: An increase of $539,700 (3.5%) and no change in FTE positions compared to the FY 2002 estimated appropriation. This request permits the Office to fill all currently authorized FTE positions and reduces the Indigent Defense increase by $1.2 million. According to the Office, not funding this request will increase indigent defense costs by $1.2 million since private attorneys will handle more cases.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Department of Corrections FY 2003 General Fund Budget Request

#### FY 2003

 ****

**FY 2003 Budget Request** The Department of Corrections has submitted its FY 2003 General Fund budget request of $256.2 million and 4,209.9 FTE positions for operations. This is an increase of $2.9 million (1.1%) and 6.5 FTE positions (0.1%) compared to the FY 2002 estimated appropriation. Highlights include:

* $2.0 million to replace the FY 2001 supplemental appropriation for the Iowa State Penitentiary at Fort Madison. The Institution’s FY 2002 budget was reduced by $2.0 million, and an FY 2001 supplemental appropriation was provided with a non-reversion clause during the 2001 Legislative Session.
* $22,800 and 2.5 FTE positions to annualize operating costs for the new Council Bluffs Residential Treatment Facility for Women. The FY 2002 budget included 10 months of funding to operate the facility. The requested increase of $22,800 includes the reduction of $98,800 for FY 2002 one-time costs.



* $739,400 and 14.0 FTE positions to operate the Special Needs Unit at the Iowa State Penitentiary at Fort Madison. This option closes Cell House 20 and transfers 40 inmates and 27 staff to the new building. An additional 8 special needs inmates will be transferred to other prisons or units. The additional 14.0 FTE positions are treatment staff and are required by the federal court order. The Special Needs Unit was authorized by the General Assembly to comply with a federal court order to meet treatment and security needs of high risk, high needs inmates. This proposal does not permit the new 200-bed Special Needs Unit to be operated at capacity. It also does not increase design capacity within the prison system; design capacity will remain at 6,772 beds under this proposal. An alternative proposal is to phase in 102 staff to treat 200 special needs offenders over 11 months starting in August 2002. This alternative is estimated to cost $3.8 million in FY 2003 and additional costs to annualize staffing in FY 2004. The DOC did not recommend, and the Board did not approve, this alternative proposal.
* $102,200 to continue rental costs of the Davenport Residential Facility in the Seventh CBC District Department.
* $50,300 and 0.6 FTE position is requested to be transferred from the Corrections Training Center at Mount Pleasant to the Mount Pleasant Correctional Facility, to reflect an adjustment in shared services if the Training Center is moved to a different location.
* A reduction of 10.0 FTE positions: 3.0 FTE positions at the North Central Correctional Facility at Rockwell City, 1.5 FTE positions at the Iowa Correctional Institution for Women at Mitchellville, and 5.5 FTE positions at the Eighth Community-Based Corrections (CBC) District Department. This reduction reflects the positions that were laid off and eliminated during FY 2002.

**RIIF Request** The Department is requesting $20.2 million from the Rebuild Iowa Infrastructure Fund (RIIF) for capital projects in FY 2003:

* $333,000 for the lease purchase costs of electrical upgrades at the Iowa State Penitentiary at Fort Madison. This cost was first approved for FY 2002; the lease-purchase agreement ends in FY 2008.
* $4.1 million to begin construction of a 170-bed Special Needs Unit at the Iowa Medical Classification Center at Oakdale. Total construction costs are estimated to be $32.5 million over four years. The DOC had planned to use federal funds (Violent Offender Incarceration/Truth In Sentencing) for part of the construction costs. However, these federal funds are no longer available.



* $4.1 million as an alternative construction plan to build a 170-bed Special Needs Unit at the Iowa Medical Classification Center at Oakdale. Total construction costs are estimated to be $23.0 million over four years. This alternative assumes the power plant will be replaced with a separate budget.
* $1.2 million to replace the power plant at the Iowa Medical Classification Center at Oakdale through a 15-year lease purchase agreement. If this request is approved, total construction costs for the 170-bed Special Needs Unit decrease from $32.5 million to $23.0 million.
* $6.5 million to replace the currently-rented Davenport Residential Facility in the Seventh CBC District Department. Due to an air quality issue, the District Department is currently seeking either land to build a new facility or a facility that can be renovated to meet the District Department’s needs.
* $795,000 to partially fund a new Fort Dodge Residential Facility in the Second CBC District Department. Total construction costs are estimated to be $2,850,000.
* $3,250,000 to renovate the food service area at the Anamosa State Penitentiary.

**Major Maintenance** The Department is also requesting $52.6 million from the RIIF for major maintenance needs.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Department of Justice’s FY 2003 General Fund Budget Request

#### FY 2003

 ****

**FY 2003 Budget Request** The Department of Justice has submitted its FY 2003 General Fund budget request of $14.3 million and 264.5 FTE positions. This is an increase of $280,000 (2.0%) and 4.0 FTE positions (1.5%) compared to the FY 2002 estimated appropriation. Highlights include:

* $280,000 to increase the Legal Services Poverty Grant Program appropriation to $950,000. This request increases the General Fund appropriation for the Program by 41.8%.
* An additional 4.0 FTE positions funded from the Victim Compensation Fund. This request is an increase of 16.6% compared to current law. The new positions are two investigators, one program planner, and one legal secretary.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

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