FISCAL UPDATE November 14, 2001

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***Special Session – November 8, 2001***

FY 2002 Appropriations adjustment ACT – HF 759

**HF 759 – Approp. Adj.** The General Assembly enacted HF 759 (FY 2002 Appropriations Adjustment Act). The Act affirms the Governor’s Executive Order Number 24. The Order, effective November 1, 2001, reduced all Executive Branch FY 2002 appropriations by 4.3% for a total decrease of $203.1 million. This Act makes restorations totaling $26.2 million to Executive Branch appropriations for FY 2002. House File 759 also reduces appropriations to the Legislative Branch by $1.1 million and the Judicial Branch by $5.2 million by providing for a 4.3% across-the-board reduction. The net change to the General Fund for FY 2002 resulting from HF 759 is a decrease of $19.9 million (3.8%). Significant provisions of the Act include (unless otherwise noted, the entire 4.3% across-the-board reduction was restored):

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| Endowment for Iowa’s Health Account | Restores $312,000 for the Endowment for Iowa’s Health Account of the Tobacco Settlement Trust Fund. |
| Appeals Board | Restores $237,000 for payment of claims against the State paid by the State Appeals Board. |
| Executive Council | Restores $65,000 for Performance of Duty expenditures by the Executive Council. |
| National Guard | Restores $5,000 for the active duty expenditures of the National Guard. |
| Absentee Ballots | Restores $200 for the cost of military absentee ballots. |
| Unemployment Compensation | Restores $15,000 for the State  unemployment compensation administration. |

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| Education Appropriations | Restores $1.3 million for the Iowa Early Intervention Block Grant Program.  Restores $636,000 for the Instructional Support standing appropriation.  Restores $425,000 (20.2%) of $2.1 million for the appropriation for the higher education Tuition Grant Program. This results in an effective reduction of 3.4% for FY 2002.  Restores $497,000 for Child Development standing appropriation.  Restores $3.5 million for the Educational Excellence Program.  Restores $430,000 for the School  Improvement Technology Program. |



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| County Mental Health | Restores $4.1 million for the counties’ Property Tax Relief Fund. |
| Criminal Extradition | Restores $200 for costs related to extradition of criminals. |
| ICN Debt Service | Restores $427,000 for debt service costs of the Iowa Communications Network (ICN). |
| National Guard Educational Assistance Program | Restores $51,000 for the National Guard Educational Assistance Program. |
| Community College General Aid | Restores $1.0 million (16.3%) of the 4.3% across-the-board reduction of $6.1 million for the appropriation to the community college general aid. This results in an effective reduction of 3.6% for FY 2002. |
| Board of Regents | Restores $1.1 million for the Tuition Replacement appropriation.  Restores $179,000 for the State Hygienic Laboratory at the University of Iowa.  Restores $342,000 for the School for the Deaf.  Restores $192,000 for the Iowa Braille and Sight Saving School. |
| Veteran’s Home | Restores $2.1 million for the Iowa Veterans Home. |
| Department of Corrections | Restores $1.9 million (22.1%) of the 4.3% across-the-board reduction of $8.1 million for the appropriations to the Department of Corrections Central office and the institutions. This results in an effective decrease of 3.3%.  Restores $1.1 million (45.9) of the 4.3% across-the-board reduction of $2.5 million for the appropriations for the Community Based correction (CBC) Districts of the Department of Corrections. This results in an effective decrease of 2.3%. |
| Law Enforcement Academy | Restores $60,000 for the Law Enforcement Academy. |
| Dept. of Public Defense | Restores $238,000 for the Military Division of the Department of Public Defense.  Restores $46,000 for the Emergency Management Division of the Department of Public Defense. |



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| Dept. of Public Safety | Restores $110,000 for the administration of the Department of Public Safety.  Restores $542,000 for the Division of Criminal Investigation and Bureau of Identification of the Department of Public Safety.  Restores $156,000 for the Division of Narcotics Enforcement of the Department of Public Safety.  Restores $6,000 for the Division of Narcotics Enforcement for Undercover Enforcement of the Department of Public Safety.  Restores $81,000 for the State Fire Marshal’s Office.  Restores $26,000 for the State Fire Marshal’s Office for Fire Protection Services.  Restores $57,000 for the Capitol Police Division of the Department of Public Safety.  Restores $1.7 million for the Division of the Iowa State Patrol of the Department of Public Safety.  Restores $10,000 for the Automated Fingerprint Information System within the Department of Public Safety.  Restores $12,000 for the Public Safety Law Enforcement Sick-Leave Benefit Fund.  Restores $25,000 for volunteer fire fighter training. |
| Dept. of General Services | Restores the following to the Department of General Services:  $44,000 for costs of rental space.  $95,000 for utility costs. |



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| Worker’s Compensation | Restores $22,000 for workers’ compensation claims. |
| Human Services | Provides an FY 2002 General Fund supplemental appropriation of $3.0 million to the Field Services Division of the Department of Human Services. |
| Legislative Branch | Reduces the FY 2002 standing unlimited appropriation to the Legislative Branch by $1.1 million. Eliminates legislative per diem payments for the November 8, 2001, Extraordinary Session. |
| Judicial Department | Reduces the FY 2002 appropriation to the Judicial Department by $5.1 million (4.3%).  Reduces the FY 2002 appropriation to the Judicial Retirement Fund by $138,000 (4.3%). |
| Area Education Agency | Appropriates $118,000 from the General Fund for FY 2002 to Great River Area Education Agency (AEA 16) at Burlington to fully match federal funds related to special education. |
| Statutory Changes  C:\My Documents\My Pictures\Codebook.gif | Allows area education agencies to expend more for special education services than is received by the State for support, in order to maintain the required level of service.  Allows local school districts the flexibility to expend funds received for the School Technology, Class Size Reduction, and Educational Excellence Programs for any school general fund purpose, as determined by the local board.  Eliminates the requirement that the College Student Aid Commission reserve a portion of the appropriation for Vocational-Technical Tuition Grants for late applicants.  Makes corrective changes to the Interstate Compact for Adult Offenders and provides a retroactive applicability date.  Changes expenditure limitation statutory language by allowing flexibility in use of the Economic Emergency Fund for cash flow purposes. Also allows for an appropriation from the Fund to reduce a negative ending balance in the State General Fund under certain circumstances. The appropriation is limited to $50.0 million. |
| Holiday Sales Tax Exemption | Provides for an exemption from State sales tax during a holiday period contingent upon passage of the federal Sales Tax Holiday Act. The time would be determined by the federal Act. |
| Civil Commitment Program for Sexually Violent Predators | Adds statutory language requiring sexually violent predators to be committed to the custody of the Director of the Department of Human Services.  Allows up to $600,000 of the funds appropriated to the Department of General Services for FY 2002 to be used for renovation and furnishing space necessary to meet the capacity of civil commitment for sexually violent predators.  Allows the DHS to collocate the unit for civil commitment of sexually violent predators at the Mental Health Institute at Mount Pleasant. |

**Enactment Date** House File 759 is effective upon enactment.

**More Information** **Attachment A** is a tracking document reflecting the 4.3% across-the–board reduction and legislative action. Additional information is available upon request from the LFB or can be obtained on the LFB website at <http://staffweb.legis.state.ia.us/lfb/noba/scripts/noba.dll/s>

STAFF CONTACT: Mary Shipman (Ext. 14617)

EARLY OUT PROGRAMS – SF 551

**SF 551** The General Assembly passed SF 551, the Early Out Programs Act, on November 8.

**Two Programs Established** Senate File 551 provides for the establishment of two early termination programs for eligible State employees, a Years of Service Incentive Program and a Sick Leave and Vacation Incentive Program.

**Repeals Program** The Act also repeals the Workforce Attrition Program and Fund, and transfers any moneys in the Fund to the General Fund of the State.



**Years of Service Incentive** The Act establishes a Years of Service Incentive Program that permits an Executive Branch department, agency, board, or commission to offer a Termination Incentive to eligible employees who agree to separate from State employment. To be eligible, an employee shall have ten or more years of covered service under the Public Safety Peace Officers’ Retirement, Accident, and Disability System (PORS) or the Iowa Public Employees’ Retirement System (IPERS) as of the date the employee leaves State employment. As part of the approval process, the employer shall submit a business plan to the Departments of Management and Personnel, indicating the savings to the State if the employee or employees participate. Once approval is obtained, the employer may offer an employee a Termination Incentive equal to the lesser of the employee’s annual salary or $250 for each quarter year of covered service under PORS or IPERS, if the employee voluntarily agrees to terminate employment and agrees not to return to permanent full-time or permanent part-time employment with the State. This provision in the Act takes effect July 1, 2002, and is repealed June 30, 2003.

**Sick Leave/Vacation Incentive** The Act also establishes a Sick Leave and Vacation Incentive Program for eligible employees of the Executive Branch of the State who are not covered by a collective bargaining agreement. The Program shall be administered by the Department of Personnel. The Act also authorizes the Legislative Council to offer a similar program to legislative employees. The Act permits eligible Executive Branch employees for which the sum of the number of years of credited service under IPERS or PORS and the employee’s age as of December 31, 2002, equals or exceeds 75, to separate from service with the State and receive a Sick Leave and Vacation Incentive Benefit payable in five fiscal years beginning with the fiscal year that ends on June 30, 2002.



**Incentive Benefit** The Incentive Benefit is equal to the employee’s unused vacation plus the lesser of the employee’s regular annual salary or the value of the employee’s sick leave. To receive the Incentive Benefit, an eligible employee must:

* Submit an application to participate in the Program by January 31, 2002.
* Separate from State employment by February 1, 2002.
* Acknowledge the employee’s ineligibility to return to permanent part-time or permanent full-time employment with the State.
* Waive any claims to unused sick leave or vacation balance otherwise payable upon termination of employment.

**Group Insurance** Employees who participate in the Program, as well as the corresponding program established pursuant to a collective bargaining agreement, are eligible to continue to participate in group insurance coverage from the State in the same manner as employees who retire from State employment.

**Program Monitoring** The Act also permits the release of IPERS records to the Legislative Fiscal Bureau and the Departments of Management, Revenue and Finance, and Personnel, for the purpose of monitoring and administering the Sick Leave and Vacation Incentive Program and the corresponding program available to employees covered by a collective bargaining agreement that authorizes a similar program.

**Delay in Cost-of-Living Incr.** The Act also provides that it is the intent of the General Assembly that the cost-of living increase for July 1, 2002, be delayed to November 1, 2002, for non-contract employees.

**Savings** Early retirement plans or early out programs are incentives for State employees to retire prior to the normal retirement age of 65. Plans are proposed to reduce State budget salary costs, and in times of budget crises, they are used to reduce the number of layoffs, assuming that if an older worker retires, a younger worker will not be laid off. Savings from early retirement plans are dependent on eligibility requirements, participations rates and rehire rates.

**Employment Group** The employment group includes:

* The central Executive Branch agencies
* The Department of Transportation
* Department of Justice
* Community Based Corrections, if the district elects to participate

**Not Included** The Program does not include statewide elected officials.

**Assumptions** The following assumptions were used in the fiscal analysis:

* There are 5,060 employees eligible for this Program.



* An employee is identified as likely participating in the Sick Leave and Vacation Incentive Program if the eligible employees would receive payouts that equal 90.0% of the cost to purchase benefits.
* Approximately 699 eligible employees will participate, not including Legislative, Court, Iowa Union Professionals (IUP) contract covered or Regents’ employees.
* The retirement dates for retirees will take place by February 1, 2002, therefore; approximately 43.0% of the annual salary and benefits of retirees would be available before any payouts during FY 2002.
* The FY 2002 salary and all benefit costs for an eligible employee is used and is assumed to be the same for all fiscal years.
* The cost to retirees for benefits is assumed to increase 10.0% each year.
* The employing agency is allowed to retain any net savings; therefore, no reduction has been made for refilling positions.
* There will be no significant administrative costs.
* The mortality of this group of eligible employees is not considered.
* The participation rate is based upon the estimated cost of benefits to the retiree compared to the estimated payout to the retiree.
* Approximately 53.4% of eligible retirees’ salaries and benefits is provided by the State General Fund.
* Departments will assume the sick leave and vacation buy back costs.
* The impact of the vacation pay out over five years causes no net change for the General Fund.

**Incentive Payout** The Plan provides for payment of 100.0% of accumulated vacation and sick leave. The leaves are to be paid over a five-year period as follows:

* 10.0% FY 2002
* 20.0% FY 2003 through FY 2005
* 30.0% FY 2006



**Fiscal Impact** It is estimated that 699 employees will participate in the Sick Leave and Vacation Incentive Program. The savings from this group of eligible employees is approximately $16.1 million in FY 2002, $38.4 million in each FY 2003 through FY 2005, $35.7 million in FY 2006, and $166.9 million over five years for all funding sources. The General Fund share would be approximately $8.7 million in FY 2002, $20.6 million in each FY 2003 through FY 2005, $19.2 million in FY 2006, and $89.8 million over five years.

Fiscal Year 2003 would have an additional savings of $11.0 million ($6.1 million General Fund) due to the delay from July 1 to November 1, 2002 of the cost-of-living increase.

**Years of Service Incentive** The employer utilization of the Years of Service Incentive Program is undetermined; therefore, the fiscal impact of that Program cannot be determined.

**Savings Retained by Agency** The savings will be retained by the agency that has a retirement.

**More Information** Additional information is available from the Legislative Fiscal Bureau upon request or on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/>

STAFF CONTACT: Ron Robinson (Ext. 16256)

HOSPITAL TRUST FUND ESTABLISHED – HF 763

**Fund Created** On November 8, 2001, the General Assembly enacted HF 763, an Act establishing a Hospital Trust Fund within the Department of Human Services. The Act:



Hospital Trust Fund

* Creates a Section 249.I, Code of Iowa, entitled the Iowa Hospital Trust Fund.
* Specifies the goal of the trust fund to provide a continuing source of funding to support the Iowa hospital system.
* Defines the Hospital Trust Fund.
* Creates the Hospital Trust Fund in the State Treasury under the authority of the Department of Human Services.
* Requires that the Trust Fund be separate from the State General Fund.
* Requires the DHS to adopt rules to administer the Trust Fund and to establish procedures for participation by public hospitals.
* Requires the Treasurer of State to provide quarterly reports of Trust Fund activities and balance to DHS.
* Requires the DHS to amend the State Medical Assistance Plan necessary to implement the Act. Provides the DHS with authority to adopt emergency rules to implement this Act.
* Provides an effective date upon enactment.
* Provides retroactivity to October 1, 2001, relating to receipt of the funding.

**Purpose of Fund** House File 763 creates a trust fund similar to the Senior Living Trust Fund. It allows the DHS to obtain enhanced federal funds, which is the difference in reimbursement rates between Medicare and Medicaid. If approved by the Centers for Medicare and Medicaid Services, Iowa would be the thirty-sixth state to utilize this funding mechanism.

STAFF CONTACT: Sam Leto (Ext. 16764)

Reorganization of the Department of Human Services – HF 764

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**DHS Reorganization** House File 764, Department of Human Services Reorganization Act, was enacted by the General Assembly on November 8, 2001. The Act:

* Strikes references to existing county cluster offices and related advisory boards.
* Replaces the existing regional offices and county cluster offices with an unspecified number of service areas and related service area boards.
* Requires the Department to consult with county boards of supervisors within service areas regarding selection of the person responsible for management of the new service areas.
* Requires the Department to consider the boundaries of the Judicial Districts and the Community Empowerment areas when determining the boundaries of the service areas.
* Specifies requirements of county boards of supervisors and the Department upon changes in boundaries of service areas taking place after July 1, 2002.
* Makes technical changes in statute to parallel the changes made in the Act regarding the regional, cluster, and service areas.



**Fiscal Impact** House File 764 does not have a direct fiscal impact based upon the reorganization statutory changes. The Act would have an indirect fiscal impact as the Department alters the number of FTE positions to adjust to the change in the number of service areas, the elimination of existing regional offices, and the elimination of existing cluster offices. With the $3.0 million FY 2002 supplemental appropriation provided in HF 759, FY 2002 Appropriations Adjustment Act, the Department plans to:

* Eliminate the 126.0 FTE positions at the Regional Offices and moving 44.0 of those to increase field support, purchase of service, and child care services, for a net decrease of 82.0 FTE positions.
* Eliminate the 38 cluster offices and the related 1,898.0 FTE positions and create 8 service areas with 1,865.0 FTE positions, for a net decrease of 33.0 FTE positions.
* Decrease the number of “front-line” FTE positions within the classifications of:
* Income Maintenance Worker 2 from 617.0 FTE positions to 613.0 FTE positions.
* Social Worker 2 from 475.0 FTE positions to 472.0 FTE positions.
* Social Worker 3 from 202.0 FTE positions to 201.0 FTE positions.

**More Information** Greater detail regarding the proposed reorganization including the impact upon the General Administration budget unit and related FTE positions by the Department is available from the November 1 edition of the ***Fiscal Update***. The November meeting of the Council on Human Services is scheduled to consider the implementation of the reorganization plans.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

Homeland Security Act – HF 762

**HF 762 – Homeland Security** House File 762, Homeland Security Act, was enacted by the General Assembly on November 8, 2001. The Act:



Homeland Security

* Amends Code of Iowa, Chapters 29A and 29C to complement federal legislation relating to homeland security and defense against acts of terrorism.
* Defines the definitions of State Active Duty, Active State Service, and Federal Service.
* Defines homeland security,
* Authorizes the Department of Public Health to conduct and maintain a statewide risk assessment of any present or potential danger to the public health from biological agents.
* Creates a five-member task force on Homeland Security to study issues relating to the detection, prevention, preemption, and deterrence of, and protection against, attacks targeted at State territory, population, and infrastructure. The task force shall report to the General Assembly and the Governor by January 15, 2002.
* Sections 100 through 106 are to be repealed on January 31, 2002.
* Sections 1 through 99 shall be applied retroactively to September 11, 2001.
* State Active Duty is currently budgeted at $110,000.

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Budget Reform act - HF 760

**HF 760 – Budget Reform** The General Assembly passed HF 760, the Budget Reform Act, on November 8. This Act contains the following provisions:



* Clarifies that the budget submitted by the Governor and passed by the Legislature cannot use anticipated reversions to meet the required expenditure limitation. The date requirements for the Governor to transmit the Governor's budget recommendations to the General Assembly is changed to conform with the expenditure limitation law to strike the word "balanced". (Code Sections 8.21, 8.54(7), and 8.54(8))
* The Revenue Estimating Conference is required to provide an estimate of the accruals. Accruals are revenues owed and not collected before June 30 of the fiscal year but not remitted until after June 30. The Revenue Estimating Conference must include an estimate of lottery revenue accruals. (Code Section 8.22)
* The requirement for preparing an annual five-year capital priority plan by the Department of Management is eliminated. (Code Sections 2.47A(1)(c), 8.6(14), and 8.6(15))
* The requirement that the Department of Management prepare estimates of total government income is eliminated. (Code Sections 8.24 and 8.25)
* The requirement that the Department of Management have budget analysts at the Board of Regents institutions is eliminated. (Code Section 8.29)
* The responsibility that the Department of Management provides projected and actual expenditures to the Legislative Fiscal Bureau is changed so that the Department of Revenue and Finance is responsible to provide the information. (Code Section 8.35A)
* The requirement of the Department of Agriculture and Land Stewardship and the Department of Natural Resources to notify specific legislators about the transfer of moneys or full–time equivalent positions is eliminated. (CodeSection 8.39A)

**Enactment** The Act takes effect upon enactment with some sections being applicable for FY 2003. The Governor has not signed House File 760. Additional information is available from the Legislative Fiscal Bureau upon request or on the LFB web site at <http://staffweb.legis.state.ia.us/lfb>.

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Prison Population Forecast



**Forecast Released** The Department of Human Rights, Criminal and Juvenile Justice Planning Division (CJJPD) released “Iowa Prison Population Forecast FY 2002 – FY 2011”. If current offender behavior and justice system trends, policies and practices remain unchanged, the prison population will be 12,318 inmates by June 30, 2011, an increase of 52.1%. The female inmate population is expected to grow by 51.3% to 970 inmates over the ten-year period. The male population is expected to grow by 51.1% during the same period to 11,348 inmates. Special needs inmates, defined as those with a mental illness, a mental disorder, mental retardation, borderline intellectual functioning, or socially inadequate, are expected to increase to 2,377 inmates, an increase of 51.9% over the ten-year period. Special needs inmates who may require special housing are estimated to be 735 inmates by June 30, 2011. This specific population may exceed special needs housing capacity by 5.0% by mid-year 2011.

**Capacity Issues** The prison population forecast creates capacity issues. Assuming current policies, practices, and procedures remain unchanged for the next ten years, the female inmate population is projected to exceed capacity by 69.3% while the male inmate population is expected to exceed capacity by 72.8%. According to the Department of Corrections, for every 1,000 increase in the inmate population, a new 750-bed prison will need to be constructed. This assumes each prison will operate at 130.0% of designed capacity. If the prison population reaches 12,318 inmates, five new 750-bed prisons will need to be built at a construction cost of $45.0 million for each prison. Each prison will incur ongoing annual operating costs of approximately $28.0 million.

**Assumptions** Factors affecting the increase in the prison population include the following assumptions for prison admissions and releases:



* New court-ordered prison commitments and probation revocations are projected to increase by 38.0% by FY 2011. Between FY 1996 and FY 2001, new court-ordered prison commitments increased approximately 29.0%. Probation revocations to prison increased by approximately 23.0% over the same period.
* Drug offenses are the most common offense type for new prison admissions, and are expected to continue to increase in the future. New prison admissions for drug offenses for FY 2001 was a record 891, a 5.9% increase compared to FY 2000, and a 91.2% increase compared to FY 1996. The increase in admissions for drug offenses is directly related to the increase in convictions for manufacturing or trafficking in methamphetamine. In calendar year 1995, only 31.0% of new drug offenders admitted to prison during the first quarter had offenses involving methamphetamines. During the first quarter of calendar year 2000, approximately 66.0% of new drug offenders committed to prison had offenses involving methamphetamines.
* It is assumed the number of federal detainees in Iowa prisons will remain constant. On June 30, 2001, there were 147 federal inmates in Iowa prisons.
* The number of inmates expiring their sentences in prison will increase. When inmates serve their maximum terms (minus any earned time) they are discharged from prison without parole supervision. These releases increased by approximately 155.0% between FY 1996 and FY 2001. There were 927 releases due to expiration of sentence in FY 2001, a record. Expiration of sentence comprised approximately 10.0% of all releases in FY 1996 while they were approximately 19.0% of all releases in FY 2001. Expiration of sentence releases for inmates whose lead offense was less serious (misdemeanants and non-person Class D felons) accounted for most of the increase in this release category. The following factors are related to expiration of sentences:
* Institutional misconduct.
* Prior release opportunities that failed.
* Lack of incentive for inmates to accept parole or work release, because average time served before parole for some groups of inmates is not substantially different than average time served before expiration of sentence.
* The Board of Parole’s practices and policies have a direct impact on the prison population. It is the Board of Parole’s responsibility to determine what portion (if any) of an inmate’s sentence will be served under community supervision. The Board of Parole’s policies and practices have increased the average length of stay in prison throughout the 1990’s. Therefore, release due to expiration of sentence has increased by 154.6% from FY 1996 to FY 2001.
* The length of stay in prison has increased during the 1990’s, and is anticipated to continue increasing. While the average length of stay in prison decreased from FY 2000 to FY 2001, it is still longer than the average length of stay in prison in FY 1991. Judges have discretion to impose mandatory minimum terms for drug offenders. Mandatory minimum terms more than tripled for drug offenders during the last five years. This will result in certain drug offenders serving longer prison sentences than they have in the past.
* On July 1, 1996, the General Assembly abolished parole for certain offenders and required them to serve at least 85.0% of their maximum sentence. The offenses include Second Degree Murder, First and Second Degree Robbery, Second Degree Sexual Abuse, and Second Degree Kidnapping. Effective July 1, 1998, Vehicular Homicide with leaving the scene of the accident and Attempted Murder were added to the list of offenses. Also, Chapter 901A, Code of Iowa, imposes the requirement that 85.0% of certain sex offenders’ sentences must be served in prison, and also increases the maximum length of the sentence. By June 2011, approximately 718 additional inmates will be in prison due to these laws. The laws will have a greater impact beyond 2011. On June 30, 2001, there were 491 inmates serving sentences under these laws. If these laws were not enacted, 17 additional offenders would have been released, based on the current average length of stay.

**New Initiatives** CJJPD’s report provides a summary of new initiatives that may impact the projected prison population:



* The Department of Corrections is attempting to expand the Violator Program. To the extent that expansion of the Program will reduce revocations to prison or reduce the average length of stay in prison, a decrease in the projected prison population will occur.
* The 2001 General Assembly enacted SF 543, Criminal Sentencing Act, that extends the time for judicial review of sentences from 90 days to one year after conviction. To the extent that this “shock probation” option is used and reduces the average length of stay of new prison admissions, a decrease in the projected prison population will occur. However, there is a potential for an increase in the projected prison population, if judges use this sentencing option to incarcerate offenders who would not otherwise have been sentenced to prison.
* Senate File 543 provides a determinate sentencing option for certain offenders convicted of Class D felonies. The determinate term may be between one and five years, earned time is applied to the sentence, and community supervision is required. To the extent that this sentencing option reduces the average length of stay of new prison admissions, a decrease in the projected prison population will occur. However, there is a potential for an increase in the projected prison population, if judges order a determinate term that results in an increased average length of stay in prison compared to an indeterminate sentence, or if judges use this sentencing option for offenders who would otherwise not have been incarcerated.
* The 2001 General Assembly enacted SF 537, Healthy Iowans Tobacco Trust Appropriations Act, that requires the Department of Public Health to establish a substance abuse treatment facility for probationers. To the extent that offenders on probation who would have otherwise been revoked to prison, are sent to this facility, new prison admissions will decrease.
* The Board of Parole is seeking ways to increase supervised releases during FY 2002. There were 404 parole releases during the first two months of FY 2002, compared to 195 parole releases during the first two months of FY 2001, an increase of 107.2%.
* Chapter 901B, Code of Iowa, requires each Community-Based Corrections (CBC) District Department to implement an intermediate criminal sanctions plan. According to Section 901B.1(3), Code of Iowa, “the plan adopted shall be designed to reduce probation revocations to prison through the use of incremental, community-based sanctions for probation violations.” Because most of these plans have only begun to be implemented, it remains to be seen what the impact will be on projected prison populations.

**Copies Available** A copy of the full report is available at CJJPD’s web site: <http://www.state.ia.us/dhr/cjjp/recpub.html>

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Board of Corrections Meeting



**Board Meeting** The Board of Corrections met November 9 in Des Moines. Director Kip Kautzky noted there were 523 admissions to prison during October. This sets a record high for monthly admissions to prison. Director Kautzky thanked the Governor and Legislature for restoring $3.0 million to the Department of Corrections (DOC). Section 7 of HF 759 restores $3.0 million to the Department of Corrections and the Community-Based Corrections (CBC) District Departments. This is 27.5% of the 4.3% across-the-board reduction of $10.9 million. Funding includes:

* $468,000 to operate Farm I (80 beds) at the Iowa State Penitentiary at Fort Madison.
* $383,700 to the Anamosa State Penitentiary to operate the Luster Heights Prison Camp (50 beds).
* $645,400 to operate a 252-bed unit and The Other Way (TOW) Substance Abuse Treatment Program at the Clarinda Correctional Facility.
* $362,900 to partially restore budget reductions made throughout the prison system.
* $30,100 to restore the 4.3% across-the-board reduction to the County Confinement Account. This Account reimburses counties for holding in local jails parole, work release, and Operating While Intoxicated (OWI) violators, pending a revocation hearing.
* $1.1 million to partially restore budget reductions made throughout the CBC District Departments. This results in an effective decrease of 2.3% for the eight CBC District Departments.

**Budget Reductions** The DOC budgets were reduced by a net $7.9 million for the last six months of the fiscal year. This will result in:



* 150 positions may be laid off. Approximately half of these positions may be restored in the FY 2003 budget. Since the FY 2002 budget reduction takes effect halfway through the fiscal year, twice as many people are impacted. It is unknown how many positions will be eliminated since the impact of the early retirement option is unknown.
* The Violator Program at Newton may be funded by internally realigning the budgets.
* The following reductions in support budgets across the Corrections System: medical services, substance abuse treatment, maintenance and office supplies, food service, library hours, building maintenance. administration, chaplains, training, and sex offender treatment.

**Prison Forecast** Director Kautzky thanked Lettie Prell, Justice System Analyst, for her work on the Prison Population Forecast that was issued by the Department of Human Rights, Criminal and Juvenile Justice Planning Division. If current offender behavior and justice system trends, policies and practices remain unchanged, the prison population will be 12,318 inmates by June 30, 2011, an increase of 52.1%. The female inmate population is expected to grow by 51.3% to 970 inmates over the ten-year period. The male population is expected to grow by 51.1% during the same period to 11,348 inmates.

**Length of Stay Issues** Director Kautzky highlighted the Report’s analysis of length of stay in prison and its impact on the prison population. The length of stay in prison has increased during the 1990’s, and is anticipated to continue increasing. While the average length of stay in prison decreased from FY 2000 to FY 2001, it is still longer than the average length of stay in prison in FY 1991. Judges have discretion to impose mandatory minimum terms for drug offenders. Mandatory minimum terms more than tripled for drug offenders during the last five years. This will result in certain drug offenders serving longer prison sentences than they have in the past.

**Release With No Supervision** Director Kautzky also noted the number of inmates leaving the prison system with no community supervision has increased. When inmates serve their maximum terms (minus any earned time) they are discharged from prison without parole supervision. These releases increased by approximately 155.0% between FY 1996 and FY 2001. There were 927 releases due to expiration of sentence in FY 2001, a record. Expiration of sentence comprised approximately 10.0% of all releases in FY 1996 while they were approximately 19.0% of all releases in FY 2001. Expiration of sentence releases for inmates whose lead offense was less serious (misdemeanants and non-person Class D felons) accounted for most of the increase in this release category. The following factors are related to expiration of sentences:

* Institutional misconduct.
* Prior release opportunities that failed.
* Lack of incentive for inmates to accept parole or work release, because average time served before parole for some groups of inmates is not substantially different than average time served before expiration of sentence.

**Next Meeting** The Board of Corrections is scheduled to meet in Des Moines on December 7.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

*Issue Review* - Iowa’s Tobacco Settlement

***Issue Review*** The Legislative Fiscal Bureau recently released an ***Issue Review*** providing an overview of Iowa’s tobacco settlement under the Master Settlement Agreement.

**Tobacco Settlement** The ***Issue Review*** includes information relating to:

* Historical background and calculations of industry payments.
* Summaries of legislation enacted by the 2000 and 2001 General Assemblies.
* Flow of funds and cash flow projections.
* Repayment of Teacher Salary Compensation Appropriation.
* Balance sheets for the Restricted and Unrestricted Accounts.

**Securities Sold** The Tobacco Settlement Authority sold $644.2 million in securities October 11. The Series 2001 A bonds were a $40.0 million issue. These are federal taxable bonds with the yield estimated to be 6.8%. Proceeds of this unrestricted issue will be deposited in the Endowment for Iowa’s Health Account.

**Series 2001 Bonds** The Series 2001 B bonds were a $604.2 million issue. These are federal tax-exempt bonds and are split as follows:



* $61.3 million serial bonds with a yield ranging from 4.56% to 4.96%.
* $205.8 million medium term bonds with a yield of 5.5%.
* $337.1 million long term bonds with a yield of 5.75%.

**Proceed Investment** The Treasurer’s Office is in the process of bidding the investment of the net proceeds that were received October 25.

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

*Issue Review* - Iowa Energy Conservation Financing Programs

***Issue Review*** The Legislative Fiscal Bureau recently released an ***Issue Review*** providing background information on one of the State’s initiatives for financing energy conservation improvements to facilities, and the accomplishments of the programs. It also includes a discussion regarding the recent statute change that affects programs, and a proposal introduced during the 2001 Legislative Session.

**Issue Review** 

**Focus** The ***Issue Review*** focuses on three programs administered by the Department of Natural Resources (DNR) that provide energy conservation improvements to facilities of State and local governments and certain non-profit organizations. The Programs include:

* State of Iowa Facilities Improvement Corporation (SIFIC)
* Iowa Energy Bank Program
* Rebuild Iowa Program

**Purpose of Programs** The Programs are essentially designed to identify improvements to facilities of public and non-profit organizations that result in energy cost savings. The Programs assist the applicants in identifying financing for the improvements. The loan payments are paid through the reduced utility costs resulting from the improvements. The ***Issue Review*** includes financial information on the three Programs.

**Legislative Proposal** The ***Issue Review*** also includes information on a legislative proposal that would have established a school energy conservation program to allow school corporations (school districts, area education agencies, and community colleges) to implement energy conservation measures involving training programs and school facility improvements by contracting with a service provider that guarantees energy or operational savings.

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

STAFF CONTACT: David Reynolds (Ext. 16934)

FY 2002 Appropriations Transfer - Department of Natural Resources

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**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 within the Department of Natural Resources:

* The Parks and Preserves Division will transfer in $80,000, as receipts are lower than budgeted for FY 2002.
* The Environmental Protection Division will transfer out $80,000, as there will be additional federal funds for the Wastewater Program, which is funded by the General Fund.

**Final Action** The transfer was finalized on November 1, 2001.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Transfer Notice - Department of General Services

**Appropriation Transfer** The Legislative Fiscal Bureau has received notice regarding a transfer of funds between infrastructure accounts within the Department of General Services, under Section 8.39, Code of Iowa.

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**Transfer From RIIF** On October 16, 2001, the Department of Management notified the Legislature of the intent to transfer $921,000 from a Rebuild Iowa Infrastructure Fund (RIIF) appropriation for the demolition of Executive Hills and Capitol Annex facilities for the following use:

* $500,000 to the Lucas Building Restoration appropriation to replace the elevators and make improvements to the electrical system.
* $334,000 to the Capitol Building Interior Restoration appropriation for the installation of a security system.
* $87,000 for the demolition of two structures located north of Des Moines Street on State owned property.

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

STAFF CONTACT: David Reynolds (Ext. 16934)

Judicial Branch Budget Cuts



**Budget Reduction** The Judicial Branch issued a press release November 5 outlining how the $5.2 million (4.3%) budget reduction was going to impact Judicial services in the State of Iowa. The cuts will go into effect January 3, 2002. The Judicial Branch’s plan is a three-tiered approach:

* Immediate cuts of certain non-personnel expenditures, implementation of a hiring freeze, and elimination of magistrates courts that operate outside the county seat.
* A significant reduction in the Judicial Branch workforce, and the elimination of hospitalization referees and several special programs.
* Streamlining the administrative structure of the State’s court system in the coming year.

**Elimination of Jobs** The Plan eliminates approximately 185 jobs across all areas of the court system. Eleven communities will see an end to satellite magistrate services including: Belle Plaine, Cedar Falls, Evansdale, Grinnell, Hudson, Iowa Falls, LaPorte City, Missouri Valley, Oelwein, Perry, and Shenandoah. The budget cuts also impact the Court Appointed Special Advocate Program (CASA), the Court Improvement Project, and the Judicial Branch Domestic Abuse Coordinator. The Court is also in the initial stages of developing a restructuring plan.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

What’s New on the LFB Web Site?

*Most LFB files are in pdf format and require (*[*Adobe Acrobat Reader*](http://www.adobe.com/products/acrobat/readstep.html)*).*

**Monthly Receipts Letter** The November receipts letter was issued on Thursday, November 1 reflecting year-to-date FY 2002 receipts of .5%. The letter can be accessed at: <http://staffweb.legis.state.ia.us/lfb/mrmemo/mrmemo.html>

**Fiscal Update** The previous issue was published November 1. <http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>

**NOBA** The LFB completed an Executive Summary and tracking document only NOBA (notes on bills and amendments) on HF 759, the FY 2002 Appropriations Adjustment Act. It can be found at:<http://staffweb.legis.state.ia.us/lfb/noba/scripts/noba.dll/s>

**Daily Receipts** Use the LFB website and call up the daily General Fund receipts. <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>

STAFF CONTACT: Glen Dickinson (Ext. 14616)

This document can be found on the LFB web site:

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