FISCAL UPDATE February 12, 2002

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

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

Governor’s Revised Budget Recommendations for FY 2002 and FY 2003



**Emergency Funds** On February 11, the Governor announced a budget proposal to use $120.0 million from the Economic Emergency Fund to cover the anticipated shortfall in FY 2002 revenue. The December Revenue Estimating Conference estimated revenue growth for FY 2002 to be 1.5%. Through January, revenue growth for FY 2002 was –0.6%. The Governor stated that Iowa is experiencing the lowest revenue growth in 50 years and the lowest spending growth in 30 years. The FY 2001 ending balance in the Economic Emergency Fund is $169.6 million and $235.6 million in the Cash Reserve Fund for a total of $405.2 million in both reserve funds. This is $66.0 million less than the 10.0% reserve requirement. The Governor’s FY 2003 budget transfers $48.0 million from the Economic Emergency Fund to the General Fund. The Governor’s recommendation to use the emergency funds in FY 2002 and FY 2003 requires legislative action.

**REC Meeting Date** The Governor and Lt. Governor are asking the Revenue Estimating Conference (REC) to meet prior to the scheduled meeting on March 7 to review the estimates for FY 2002 and FY 2003, so the General Assembly can begin budget work before March 1, 2002, one month prior to the beginning of the last quarter of Fiscal Year 2002.

**Governor’s **

**FY 2003 Recommendations** The Governor will revise his FY 2003 budget reductions, reducing many departments by 2.6%. He indicates that additional resources from non-General Fund sources will be identified to protect priorities in education, corrections, and health services for children, seniors, people with disabilities, and their families. The Governor is recommending amending the expenditure limitation law to increase the yearly contribution to the Reserve Funds from 1% to 2% of the General Fund. This change would begin in FY 2004, and would be made in an effort to fill the Reserve Funds by FY 2006, sooner than would occur under current law

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

STAFF CONTACT: Dennis Prouty (Ext. 13509) Holly Lyons (Ext. 17845)

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **IN THIS ISSUE:** | Gov.’s Revised Budget Recs., pg. 1 | New Directors, ILEA, DPS, DIA, pg. 4 |
|  | HF 2245-Medical Assistance Suppl., pg. 2 | Div. on Status of Women Report, pg. 5 |
|  | Ways & Means Bills, pg. 3 | Dept. for the Blind Report, pg. 5 |
|  | SF 2140 – Oil Overcharge Bill, pg. 3 | ICN Video Classrooms, pg. 5 |
|  | SF 2100 – Dating Violence, pg. 4 |  |
|  |  |  |

General Assembly Passes and Governor Item Vetoes Medical Assistance (medicaid) FY 2002 Supplemental Bill



**FY 2002 Supplemental** The General Assembly passed HF 2245, FY 2002 Medical Assistance Program (Medicaid) Supplemental Bill, on February 7. An estimated shortfall of $61.0 million is currently projected based on actual expenditures through December 31, 2001, and anticipated expenditures for the balance of FY 2002.



**Appropriations** The Bill contains $48.5 million in new appropriations from:

* Senior Living Trust Fund ($39.0 million)
* Endowment for Iowa’s Health Account ($2.5 million)
* Hospital Trust Fund ($7.0 million)

**Contingency** A contingent appropriation of $7.0 million was provided from the Tobacco Settlement Fund in case the federal funds for the Hospital Trust Fund are not received. The Department must repay the $7.0 million from its FY 2003 funds if the federal funding is not approved and released. The Bill contains a provision limiting dental services for adults to include preventative services, diagnostic services, restorative services limited to white and silver fillings, and prosthetic services limited to dentures only.

**Fund Transfer** The Bill also transfers $9.5 million from the FY 2002 Nursing Home Conversion appropriation from the Senior Living Trust Fund.

**Projected Savings** The Bill projected savings of $4.3 million for FY 2002 from Medical Assistance policy changes:

* Reinstitute monthly reporting requirements ($2.0 million)
* Limit dental services for adults ($2.0 million)
* Change requirements for copayments for prescription drugs ($300,000)



**Governor’s Item Veto** The Governor signed the Bill approving the $48.5 million appropriation and $9.5 million transfer but vetoed the following items: Repayment of $2.5 million to Tobacco Settlement Trust Fund; requiring the DHS to reimburse $7.0 million if new federal funds are not received in the Hospital Trust Fund; the monthly reporting requirement; increase in copayment for prescribed drugs; and dual certification for nursing facilities.

**NOBA**

**NOBA** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB or on the web site: http://staffweb.legis.state.ia.us/lfb/.

STAFF CONTACT: Sam Leto (Ext. 16764) Sue Lerdal (Ext. 17794)

Ways & Means Bills

**Ways & Means Bills** The following is an update of the status of significant Ways & Means bills as of February 7:

* House File 2078 – Venture Capital Contingent Tax Credit Bill – The Bill creates a contingent tax credit system to be used to guarantee the principal and rate of return for investors in a venture capital fund of funds. The tax credits cannot be utilized for at least five years. The fiscal note for the Bill did not determine a fiscal impact because the likelihood of the tax credits being used cannot be determined. The Senate amended the House File on January 28 by adding provisions related to taxation of Subchapter S corporations. That amendment would reduce General Fund receipts by $900,000 in FY 2003 and $800,000 in FY 2004 and beyond. The House accepted the amendment and passed the Bill on January 29. The Bill will now be sent to the Governor.



Tax Credit



* House File 2116 – Internal Revenue Code (IRC) Update Bill – The Bill updates Iowa’s revenue code to match recent changes to the federal tax code. The Bill also changes the tax status of Iowa’s school district income tax surcharge and restricts the Executive Branch’s ability to rescind, enter into, and modify tax reciprocity agreements with other states. The Bill is projected to decrease General Fund revenues by $3.3 million in FY 2003 and $6.0 million in FY 2004 and beyond. The Bill passed the House on January 31.
* House File 2079 – Employee Stock Option Tax Deduction Bill – The Bill deducts a portion of the gain from employee stock options from Iowa taxable income. The Bill is projected to reduce FY 2004 General Fund receipts by $1.0 million and by $3.0 million in FY 2005 and beyond. The Bill was approved by the House Ways & Means Committee and is now on the House calendar.
* House Study Bill 625 – Seed Capital Tax Credit Bill – The Bill provides a 20.0% tax credit to investors in qualified community-based seed capital funds and qualified start-up Iowa companies. The tax credits apply to investments made starting January 1, 2002, but cannot be utilized for three years. The total tax credits allowed are limited to $3.0 million the first and second years and $4.0 million the third year. The Bill was approved by the House Ways & Means Committee on February 7.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Oil Overcharge Bill – SF 2140 Passes Senate Appropriations Committee



**SF 2140 - Oil Overcharge** The Senate Appropriations Committee passed SF 2140 (Oil Overcharge Appropriations Bill) on February 7. The Bill appropriates petroleum overcharge funds for FY 2003 to the Department of Human Rights and the Department of Natural Resources. The Bill:

* Appropriates $25,000 to the Department of Human Rights from the Exxon Fund for qualifying energy conservation programs for low-income housing. This is a decrease of $43,000 compared to the estimated net FY 2002 appropriation. The Department of Human Rights did not receive an appropriation from the Stripper Well Fund for FY 2003. The Department received $182,000 from the Stripper Well Fund for FY 2002 for this Program.
* Appropriates $25,000 from the Exxon Fund to the Department of Natural Resources for energy conservation and extension purposes. This is a decrease of $5,000 compared to the estimated net FY 2002 appropriation.
* Appropriates $150,000 from the Stripper Well Fund to the Department of Natural Resources for administrative functions. This is no change compared to the estimated net FY 2002 appropriation.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB or on the web site: http://staffweb.legis.state.ia.us/lfb/.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Senate File 2100 - Dating Violence

**Dating Violence - SF 2100** The Senate passed SF 2100, which provides protection from domestic abuse for persons who are in an intimate relationship or have been in an intimate relationship and have had contact within the past year of the assault. The intimate relationship need not include sexual involvement. The Bill exempts intimate relationship domestic abuse assault from enhanced penalties for domestic abuse, but victims are eligible for no-contact orders. The court may order a person convicted of intimate relationship domestic abuse assault to participate in a batterer’s treatment program.

D:\Clipart\Regional\Govt\LAWEN008.WMF

**Jail Admissions** Senate File 2100 is expected to increase jail admissions by 16 during FY 2003, and by 33 each year thereafter. Each person admitted to a county jail will serve 10 days.

**Estimated State Costs** Total State Criminal Justice System costs (Indigent Defense and Judicial Branch) are estimated to be $6,000 for FY 2003 and $12,000 for FY 2004.

**County Jail Costs** Total statewide costs for county jails are estimated to range from $2,400 to $4,000 during FY 2003. For FY 2004, costs are estimated to range from $5,000 to $8,200.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

New DIrectors of the Iowa Law Enforcement Academy, the Department of Public Safety, and the Department of inspections and appeals

**C:\Program Files\Microsoft Office\Clipart\smbusbas\bs00721_.wmfNew Director** Penny Westfall has been appointed the new director of the Iowa Law Enforcement Academy, a position held by Gene Shepherd since 1993. Mr. Shepherd retired a month ago from State service. Kevin Techau, Director of the Department of Inspections and Appeals, was named successor to Westfall as the Commissioner of Public Safety. Steve

Young, current Assistant Director, Inspections and Appeals will assume the top position vacated by Techau’s move to Public Safety.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Required Report Received from the Division on the Status of Women, Department of Human Rights

**Report Received** The Division on the Status of Women, Department of Human Rights, is required by Section 216A.60, Code of Iowa, to file an annual report with the Governor and the General Assembly by February 1. The Report is the proceedings for the previous calendar year and also may include recommendations regarding the Division’s affairs, issues for legislative consideration, and other action deemed necessary.



REPORT

**Copies Available** The Report has been received and copies are available upon request from the Legislative Fiscal Bureau (LFB), or may be accessed via the link to the Division on the Status of Women on the LFB web site at: http://staffweb.legis.state.ia.us/lfb/subcom/health\_hr/health\_hr.htm.

STAFF CONTACT: Lisa Burk (Ext. 16765)

Required Report Received from the Department for the Blind

**Report Received** The Department for the Blind has submitted a report required by Section 216B.3(12d), Code of Iowa.

**Information**  The Report, due each year by February 1, contains information regarding the Department’s purchase of plastic and recycled content products and soy-based inks for FY 2001.

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

STAFF CONTACT: Lisa Burk (Ext. 16765)

Iowa Communications Network (ICN) Video Classrooms



**ICN Classrooms** Since the end of December 2001, the Iowa Communications Network (ICN) has added one interactive video classroom at the State Historical Building. This brings the total number of classrooms to 754. The total number of classrooms that will be included in the Network at sites that are part 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 | 101 |
| K-12 School Districts | 389 |
| Other Education | 8 |
| Libraries | 50 |
| Medical Facilities | 11 |
| Private Colleges | 18 |
| Regents Institutions | 32 |
| National Guard | 57 |
| State Agencies | 50 |
| Federal | 17 |
| Miscellaneous | 4 |
| Classrooms Total | 754 |

**Web Site**

****

**Website**

**More Information** 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)

This document can be found on the LFB web site:

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