FISCAL UPDATE March 11, 2002

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

Governor’s Revised FY 2003 Budget Recommendation

**Analysis On Line** The LFB's analysis of the Governor's Revised FY 2003 Budget is now available on the LFB web site at:  <http://staffweb.legis.state.ia.us/lfb/docs/BudgAnalysis/BudgAnalysis.htm>

**Special Edition** The analysis includes a Special Edition of the **Fiscal Update** dated March 11 which provides an overview of the revised budget recommendations.  The LFB analysts assigned to each appropriations subcommittee have also prepared a document highlighting the significant recommendations with an attached detailed spreadsheet.

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Governor’s Revised Recommendation for School Foundation Aid

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**School Aid** The Governor recommends appropriating $1,785.3 million in State aid for allowable growth in FY 2003. This is a $60.2 million (3.5%) increase compared to the adjusted FY 2002 amount. The Governor is also recommending the following changes in FY 2003:

* Reduce the FY 2003 allowable growth rate to 1.0%. The FY 2003 allowable growth rate was set at 4.0% during the 2001 Legislative Session.
* Continue the $7.5 million State aid reduction to Area Education Agency (AEA) Special Education Support Services. This reduction was made during the FY 2001 Legislative Session in HF 755 (FY 2002 Standing Appropriations Act).
* Increase the limited English proficient weight from 0.19 to 0.22 and make effective for FY 2003.
* Require that if the calculated State aid amount for allowable growth is greater than the appropriated amount, that difference be reduced to school districts on a per pupil basis. However, school districts would have the option to levy for that difference (estimated to be $11.4 million).

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**FY 2003 Allowable Growth** The FY 2003 allowable growth rate was set at 4.0% during the 2001 Legislative Session. If no change is made during the 2002 Legislative Session, it is estimated that State school aid will increase approximately $147.7 million (8.6%) compared to the adjusted FY 2002 State aid amount.



**FY 2003 Allowable Growth** The Governor recommends a FY 2004 allowable growth rate of 3.0%. The Governor also recommends continuing the $7.5 million State aid reduction to Area Education Agencies. This is estimated to be an increase in State aid to school districts of approximately $75.9 million (4.2%) compared to the Governor’s FY 2003 recommendation.

**Governor’s Recomm.** The table below details State school aid amounts for FY 2002, current law FY 2003, the Governor’s proposal for FY 2003, and the Governor’s proposal for FY 2004.

**School Foundation Aid Funding Totals**

**(Dollars in Millions)**

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WAYS & MEANS BILLS

**Ways & Means Bills** The following is an update of the status of significant Ways & Means bills as of March 8:

**Venture Capital** House File 2078 – Venture Capital Contingent Tax Credit Act – The Act creates a contingent tax credit system to be used to guarantee the principal and rate of return for investors in a venture capital fund. The tax credits cannot be utilized for at least five years. The fiscal note for the contingent tax credits did not determine a fiscal impact because the likelihood of the tax credits being used cannot be determined. The Act also altered the taxation of Subchapter S corporations. That change reduces General Fund receipts by $900,000 in FY 2003 and $800,000 in FY 2004 and beyond. The Governor signed the Act on February 28.



Tax Credit

**Seed Capital Tax Credit** House File 2271 – Seed Capital Tax Credit Act – The Act 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 Act was signed by the Governor on February 28.



**IRC Update** 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. On February 14, the Senate Ways & Means Committee removed the school surtax provision and approved the Bill with the amendment. The amendment increased the negative fiscal impact of the Bill by $1.7 million per year. The Bill is on the Senate calendar.

**Employee Stock Option** 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.

**DRF Technical Corrections** Senate File 2305 – Department of Revenue and Finance Technical Corrections Bill – The Bill makes several changes to the Code of Iowa deemed by the Department of Revenue and Finance to be only technical in nature (clarifications, deletions of outdated language, etc.). The Bill does not have a fiscal impact. The Bill was approved by the Senate Ways & Means Committee on February 27.



**School Bonds Tax Exempt** Senate File 2306 – State Tax Exempt School Infrastructure Bonds Bill – The Bill excludes interest earned from school infrastructure bonds from Iowa individual and corporate income tax. The Bill’s preliminary fiscal impact on General Fund Revenues is a reduction of $360,000 in FY 2003 and $800,000 in FY 2004, with a maximum impact of $7.5 million reached in FY 2017. The Bill was approved by the Senate Ways & Means Committee on February 27.

**Donations to State** Senate File 2307 –Taxpayer Donations Bill – The Bill provides a place on the Iowa individual income tax form for taxpayers to donate money in excess of their tax liability. The Bill is projected to have a small positive impact on General Fund revenues but could have a small negative impact on the taxpayer donation items currently on the tax form (Non-Game Wildlife, State Fair, and Keep Iowa Beautiful). The Bill was approved by the Senate Ways & Means Committee on February 28.

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STAFF CONTACT: Jeff Robinson (Ext. 14614)

ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE

**Admin./Regulation** The Administration and Regulation Appropriations Subcommittee met the weeks of February 25 and March 4.

 On February 26 the Legislative Fiscal Bureau presented a brief overview of the Governor’s budget recommendations for reorganizing government.

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**Secretary of State** Secretary of State Chet Culver discussed the budget for his Office. Secretary Culver noted the need for action on House Study Bill 537 (Business Services Legislation), and specifically the sections allowing the Office to: 1) collect a portion of fees generated by Uniform Commercial Code (UCC) termination fees, which would be approximately $100,000, and, 2) providing for coverage of credit card processing fees incurred with electronic filings. This would enable their budget to balance. He stated the office is developing incentives and experiencing a positive response to electronic filing of for-profit biennial reports. Representative Elgin suggested the Office find an incentive for non-profits to do so.

**Professional Licensing** Kay Halloran, Director of the Professional Licensing Division of the Department of Commerce, was present to discuss the proposed reassignment of her Division to the Office of the Secretary of State. While the Division would not move from its existing space, having the Secretary of State’s Office perform the administrative services function for that Division would save approximately $80,000. It would also enable all licensing to be accomplished in one area.



**Voter Registration** Senator Schuerer questioned Secretary Culver as to funding of Voter Registration Drives and the Iowa Student Political Awareness Club. Secretary Culver responded election funds and corporate sponsors fund Voter Registration Drives. The Awareness Club is no longer a budgeted item and is supported by the private sector.



**Dept. of Management** On February 27, Cynthia Eisenhauer, Director of the Iowa Department of Management, was present to discuss the Department’s organization and give a budget overview. Ms. Eisenhauer outlined the proposal to acquire $9.0 million from the Tobacco Capitol Fund to finance the Enterprise Resource Planning (ERP) Project, for a new budget system.

**Response to RFP** The Improving Government Request For Proposal (RFP) has received responses from firms who are willing to work on the basis of being paid only when savings are realized. Representative Raecker urged Director Eisenhauer to also include State employees in the process and provide benefits for individuals suggesting real savings. Additional questions and discussion followed.

**New Department** Ms. Eisenhauer then proceeded to outline the proposal to create the Department of Administrative Services. Included under the auspices of this agency would be the Iowa Department of Personnel, the Department of General Services, Information Technology Department, Iowa Communications Network, and the accounting function of the Department of Revenue and Finance. She estimated a savings of $3.1 million could be obtained. If the ICN were excluded from the merger of the Departments the estimated savings would be $500,000. Questions and comments from Committee members followed.

**Inspections & Appeals** On March 5, Steve Young, the new Director of the Department of Inspections and Appeals (DIA), as of February 15, 2002, presented the Department’s response to the 4.3% across-the-board budget reductions. He explained how reassignments and mergers of divisions were used to accommodate the 4.3% cuts. Mr. Young stated the Department of Inspections and Appeals expects to provide the same level of services that DHS did, prior to the transfer of various functions from the Department of Human Services to the Department of Inspections and Appeals.



**Foster Care Review Bd.** Jerry Foxhoven, Administrator for the Iowa Citizen Foster Care Review Board, explained the oversight role of the Board, and shared with the Subcommittee his goal to expand the Program without using any additional moneys. He gave credit to the staff and the 400 volunteers for the success of the Program.



**CASA Program** Suzanne Boyde, Director of the Iowa Court Appointed Special Advocate (CASA), presented an overview of the CASA Program and explained the relationship between the CASA Program and the Iowa Citizen Foster Care Review Board. CASA is an advocate for the child, and the Board is responsible for oversight. She told the Subcommittee that the 600 volunteers are a critical component of the success of the CASA program.

**Citizen Aide Ombudsman** William Angrick, Citizen Aide/Ombudsman, reported on the status of the CASA Program and how CASA came to be a part of the Ombudsman’s Office. He talked about the viable options available to meet the budget reductions, including the possibility of mergers, layoffs, and eliminating a program.

**Ethic/Campaign Discl.** On March 6, Charlie Smithson, Executive Director for the Ethic and Campaign Disclosure Board, presented the Board’s proposed budget for FY 2003. Mr. Smithson told the Committee about the positive steps taken by the Board in response to the cuts, and then outlined the statutory duties of the Board. He then told the committee that it is the intent of the Board to move the filing system to the Internet. There was no objection from the Committee to having campaign finance filing going completely paperless.

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**Revenue & Finance** Gerald Bair, Director of the Department of Revenue and Finance, presented a detailed proposal for the FY 2003 budget request. Mr. Bair highlighted a few of the program areas that have seen significant changes. Mike Lipsman, Department of Revenue and Finance, explained the Governor’s comprehensive Tax Fairness Study proposal that resulted from the Iowa 2010 Initiative. Representative Raecker asked Mr. Lipsman to provide the Committee with a breakdown of how the $400,000 for FY 2003, and the $300,000 for FY 2004, is going to be used.

**General Services** Richard Haines, Director of the Department of General Services (DGS), reported that with the exception of $223,000 for rental space, the Governor is not recommending any increased funding for the Department of General Services from the General Fund because of the Governor’s proposed new Department of Administrative Services. Representative Raecker requested that the Committee be furnished with information concerning the total number of vehicles in the State fleet, as well as options for leasing a portion of the fleet. Mr. Haines concluded his presentation with a status report on the Parking Structure.

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**Dept. of Commerce** On March 7, Tom Gronstal, Director of the Department of Commerce, presented the Department’s FY 2003 Budget Request. He also told the Committee about the reorganization and the proposed change in the funding stream for the Department, referencing the two divisions that have been moved out: Administrative Services and Professional Licensing. Mr. Gronstal then asked staff from the various divisions in the Department of Commerce to address the Committee about their divisions.

**Other Discussion** Susan Voss, Insurance; Kay Halloran, Professional Licensing; Judy Cooper, Utilities; Lynn Walding, Alcoholic Beverages; and Jim Forney, Credit Union; briefly discussed the affects of the reorganization and the 3.0% proposed cuts. Representative Raecker asked Mr. Walding why the costs of outside services had gone up $150,000 in two years. After a limited explanation, Mr. Walding told Representative Raecker that he would follow up with specific details on the question.

**Net Budgeting** The Legislative Fiscal Bureau explained the concept of net budgeting for the Department of Commerce. When and why it was changed to the current funding process was discussed. Ed Cook, Legislative Service Bureau, asked for members and staffers to look carefully at SSB 3170 (Department of Commerce Revolving Fund).

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee Members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/admin_reg/admin_reg.htm>

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Economic Development Appropriations Subcomittee

**Econ. Devel. Subcommittee** The Economic Development Appropriations Subcommittee met with representatives of the Regents University Economic Development Programs on March 6 and the Department of Economic Development on March 7. The Subcommittee requested a question-and-answer format, instead of traditional budget appropriations. The topics discussed were:

**Regents Regents Universities**



* University of Iowa:
* **Technology Innovation Center and Oakdale Research Park**: Bruce Wheaton, Center Director, discussed how the Center and Park serve as an incubator to assist fledgling companies bring products to market.
* **Center for Advanced Drug Development:** Alta Botha, Center Director, discussed how the Center provides services to pharmaceutical, veterinary, biotechnology companies, medical departments, and government agencies in testing and evaluation of pre-approved drug products.
* Iowa State University:
* **Small Business Development Centers (SBDC):** Lars Peterson, Associate State Director, discussed how the SBDC provides training and technical assistance to small and start-up businesses.
* **Institute for Physical Research:** Tom Barton, Director, discussed how the Institute transfers and applies new research and technology to business problems and helps bring new products to market.



* **Iowa State University Research Park and Pappajohn Center for Entrepreneurship:** Steven Carter, Director, discussed the various programs to promote entrepreneurship, and provide technical assistance to start-up and technology businesses.
* University of Northern Iowa:
* **Institute for Decision-Making:** Randy Pilkington, Director, described the various consulting and research services the Institute offers communities to promote economic development.
* **Metal Casting Center:** H. Miller, Director, described the metal casting facility, services to foundries, training of students in metal casting, and the job market demand for graduates.
* **Ag-Based Industrial Lubricants:** Lou A. T. Honary, Director, discussed the development of soy-based industrial lubricants, the process of bringing the industrial grease to market, the non-polluting characteristics of soy-based lubricants as opposed to petroleum-based lubricants.

**Dept. of Econ. Develop. Department of Economic Development -** C. J. Niles, Department Director, briefly identified the focus for the Department of Economic Development and then answered questions. The Department is focusing on:



* Iowa’s market strengths – an educated workforce, quality of life, and a safe environment.
* Thinking regionally to develop collaboration and cooperation for more dynamic growth.
* Entrepreneurial development through networking and bringing venture capital together with entrepreneurs.
* Community development with technical assistance, housing development, and infrastructure.
* Technology growth through community assessments and promotion of technology usage.

**Discussion** The Subcommittee asked questions about DED’s variety of programs – Targeted Small Businesses, Community Economic Betterment Account (CEBA), Community Attraction and Tourism and advertising, Vision Iowa, Physical Infrastructure Assistance, and international marketing and the foreign trade offices. Questions were also raised about staffing, furloughs, and the effect of the September 11 attack.

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee Members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/econ_dev/econ_dev.htm>

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Health and Human Rights Appropriations Subcommittee

**Health/Human Rights Sub.** The Health and Human Rights Appropriations Subcommittee met the week of March 4 and conducted the following business:

**Public Health** On March 5, Director Gleason of the Department of Public Health gave a brief overview of the Department’s budget.

**Bioterrorism** Following the budget presentation, the Department provided an update on Bioterrorism. The Department of Public Health is estimating to receive approximately $12.9 million in the first year from the Health Resources Service Administration (HRSA) and the Centers for Disease Control and Prevention (CDC). Funding from the Health Resources Service Administration (HRSA) is expected to be approximately $1.4 million and is to be used mainly for upgrading Iowa’s hospitals and collaborating entities to respond to Bioterrorism. Funding from the Centers for Disease Control and Prevention is expected to be approximately $11.5 million and is to be used for public health preparedness and response. The Department is currently working on the State plan which will be need to be endorsed and signed by the Governor and submitted to the Department of Health and Human Services by April 15, 2002.



**Tobacco Funds** A presentation of State tobacco funds followed the discussion on Bioterrorism. The presentation began with a discussion of tobacco securitization and the flow of tobacco dollars to the State, and ended with an examination of Tobacco Use Prevention and Control, which included the Just Eliminate Lies (JEL) Program. The Tobacco Use Prevention and Control Program in Public Health receives approximately $9.3 million from the Healthy Iowans Tobacco Trust. The Program focuses on tobacco use prevention for minors largely through the use of counter marketing advertisement campaigns.



**Drug Control Policy** On March 6, Bruce Upchurch, Director, Governor’s Office of Drug Control Policy, presented an overview of the Department’s budget. Mr. Upchurch discussed the Department’s use of federal, state, special project, discretionary, and prevention funds, and answered questions regarding performance measures.



**Veterans Affairs** The Iowa Commission of Veterans Affairs and the Iowa Veterans Home provided a brief overview of their budgets and issues that each faces in the upcoming fiscal year. Pat Palmersheim, Executive Director of the Commission, outlined some goals the Commission has established for FY 2003. Mr. Palmersheim’s main focus will be on networking with the various county commissions of veterans affairs in efforts to ensure that every veteran is aware of the benefits he/she may be eligible to receive from the federal government. The Veterans Home will focus on continuing to provide quality care for Iowa Veterans. The Home will also continue to try to reduce the waiting list and increase the number of beds filled at the Home. The Home has 768 operating beds. Currently 693 beds are filled, 14 veterans are scheduled for admissions and 18 are on the waiting list. In addition, 22 beds have been taken off line temporarily due to the Dietary Project construction.

**Elder Affairs** On March 7, Judy Conlin, Director, Department of Elder Affairs, presented an overview of the Department’s budget. In addition, Ms. Conlin discussed Alzheimer’s support funding. The Subcommittee also heard presentations from other Department staff on various topics, including the Senior Living Program, Assisted Living Program, Elder Abuse, and Adult Day Care.

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee Members are available 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) Russ Trimble (Ext. 14613)

Human Services Appropriation Subcommittee

**Human Services Sub.** The Human Services Appropriations Subcommittee met the week of March 4.



**Child Support Recovery** On March 5, the Subcommittee heard testimony from staff of the Department of Human Services and Department of Revenue and Finance regarding the status of Child Support Recovery collections and the partnership formed to collect outstanding debts owed to children and families.

**Sexual Predator Program** The Subcommittee heard testimony from staff from the Department of Human Services, legislators from Northwest Iowa, and citizens from the City of Cherokee regarding the Sexual Predator Commitment Program at Oakdale and the Governor’s recommendation for FY 2003 to move the Program to the Mental Health Institute at Mount Pleasant.

**Decategorization Funding** On March 6, the Subcommittee heard from staff from the Juvenile Court and Department of Human Services regarding decategoriation (decat) funding within the child welfare service system.

**Marriage Initiative** The Subcommittee heard a presentation from staff from the National Conference of State Legislatures (NCSL) regarding the State of Oklahoma Marriage Initiative.

**Director’s Presentation** On March 7, the Subcommittee heard testimony from the Director of the Department of Human Services regarding a program review of core services and various financial impacts upon possible changes in programs.

**More Information** All agendas and handouts are available on the web site at [www.staffweb.legis.state.ia.us/lfb](http://www.staffweb.legis.state.ia.us/lfb). Additional information is available upon request.

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Justice System Appropriations Subcommittee

**Justice System** The Justice System Appropriations Subcommittee reviewed issues with the Judicial Branch and the Department of Justice.



**Judicial Branch** Chief Justice Lavorato discussed the Judicial Branch’s FY 2002 budget reduction with the Subcommittee. He said three basic principles were followed in making reductions:

* Budget reductions needed to be made while still retaining consistency with the Judicial Branch’s mission.
* The State’s financial problems will last more than one year so long-term savings were sought.
* Consensus with Chief Judges of the eight judicial districts on any budget reductions that impacted the trial courts.

**Budget Reductions** The Judicial Branch cut as much as possible from equipment, supplies and communication line items, then eliminated contracts and non-statutory programs, such as the Court-Appointed Special Advocate Program. The unprecedented step was taken of reducing the number of employees by lay-offs and down grading positions.

**Legislation**  The Chief Justice discussed SF 2283 and SF 2267, the two Bills sponsored by the Judicial Branch. The Chief Justice is advocating for more discretion in managing the day-to-day operations of the Judicial Branch.

**Economist** The Subcommittee received testimony from Mark Edelman, Iowa State Economist. Mr. Edelman conducted interviews with Judicial Branch staff in certain counties and reported on the findings of that survey.

**Testimony on Operations** The Subcommittee received testimony regarding Judicial Branch operations from Clay Gavin, Iowa District Clerks Association, Dwight Dinkla, Executive Director of the Iowa State Bar Association, and David Boyd, Deputy State Court Administrator. The Subcommittee discussed:

* Duties and workloads of the Clerks of Court.
* Technology and its impact on the day-to-day operations of the Judicial Branch.



**Attorney General** Attorney General Tom Miller discussed his Office’s operations in view of budget reductions. Certain divisions within the Office, such as Criminal Appeals, have experienced workload increases of 100.0% during the last decade. The Attorney General discussed the following topics with the Subcommittee:

* Reimbursements from other State agencies and funds. Approximately 49.0% of the operating budget for the Office of the Attorney General is received from Other Funds or reimbursed from other State agencies.
* Crime Victim Compensation Fund and administrative costs of providing services to crime victims.
* Anti-trust and consumer fraud litigation.

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee Members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/econ_dev/econ_dev.htm>

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Transportation, Infrastructure, and Capitals appropriations Subcommittee

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**Trans., Infras, & Capitals** The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met on March 5, 6, and 7. On March 5, the Legislative Fiscal Bureau presented an overview on the Governor’s FY 2003 budget proposal for infrastructure-related projects and Tobacco Securitization. Representatives from the Dorsey Law Firm and State Treasurer’s Office reviewed restrictions on the use of tax-exempt bond proceeds and answered questions from the Committee regarding Tobacco Securitization.

**Capital Requests** On March 6, the Department of General Services presented the Governor’s recommendations for FY 2003, and offered status reports on Capitol renovation projects and the parking ramp, which is to be constructed at Grand and Pennsylvania. Completion date of the ramp is expected to be November 2002. The Department of Corrections also presented the Governor’s recommendations for FY 2003. The Department discussed their request for a 170-bed special needs unit and a new power plant at the Iowa Medical and Classification Center in Oakdale.



**Loess Hill Hungry Canyons** On March 7, a representative from the Loess Hill Hungry Canyons presented an overview on current progress and future needs in protecting and preserving the Loess Hills. The Governor is recommending $750,000 for Loess Hills for FY 2003. A representative from the Conservation Districts of Iowa reviewed the need for continued funding for the Soil Conservation Program.

**More Information** Copies of agendas, minutes, and selected materials that were distributed to the Subcommittee are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/trans_infra/trans_infra.htm>

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Oil Overcharge Bill - sF 2140 Passes House Appropriations committee



**SF 2140 - Oil Overcharge** The House Appropriations Committee passed SF 2140 (Oil Overcharge Appropriations Bill) on March 4. 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/>.

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Block Grant and Federal Funds Appropriations Bill – HF 2582 Passes House Appropriations Committee



**HF 2582** On March 4, the House Appropriations Committee passed HF 2582, Block Grant and Federal Funds Appropriations Bill. The Bill provides the mechanism for the State to receive $163.2 million in federal block grant funds, including:

* Substance Abuse Block Grant - $12.7 million
* Community Mental Health Services Block Grant - $3.6 million
* Maternal and Child Health Services Block Grant - $7.0 million
* Preventive Health and Health Services Block Grant - $1.9 million
* Drug Control and System Improvement Grant - $6.5 million
* Stop Violence Against Women Block Grant - $1.8 million
* Local Law Enforcement Block Grant - $342,000
* Residential Substance Abuse Treatment for State Prisoners Formula Grant Program -$838,000
* Community Services Block Grant - $7.0 million
* Community Development Block Grant - $31.8 million
* Low-Income Home Energy Assistance Program (LIHEAP) Block Grant - $31.1 million
* Social Services Block Grant - $17.6 million
* Child Care and Development Block Grant - $41.0 million

**Categorical Funds** In addition, the Bill also provides the mechanism for State agencies to receive $2.803 billion in categorical federal and nonstate funds.

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

**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/>.

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Violence Against Women Act - HF 2345 Passes the Senate

**HF 2345** The Senate passed HF 2345, which authorizes the Victim Assistance Program in the Department of Justice to administer the Violence Against Women Act federal grants. The Office of Drug Control Policy currently administers the grants.



**Federal Funds** Federal funds currently received by the Office of Drug Control Policy are estimated to be $2.3 million during FY 2003: $1.8 million for the STOP Violence Against Women Program and $500,000 for the Rural Domestic Violence and Child Victimization Discretionary Grant.

**Personnel Costs** There are currently two positions at the Office of Drug Control Policy that administer these programs. Total personnel costs are $120,000, of which $30,000 is a General Fund appropriation. The appropriation is required to meet the federal “matching funds” requirement.

**Fiscal Impact** There is no fiscal impact associated with HF 2345. Administrative costs remain at $120,000 annually. However, HF 2345 transfers the federal portion of this cost ($90,000) but the Bill does not transfer $30,000 in General Fund matching requirements. These funds remain at the Office of Drug Control Policy.

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Mandatory Parole - HF 525 Passes the House

**HF 525** The House passed HF 525, which imposes an additional indeterminate term of years on community supervision, not to exceed two years, for people convicted of certain criminal offenses. The Bill provides that if an offender violates a condition of the additional indeterminate term of years, the additional sentence may be revoked and the violator sentenced to prison. The Bill does not apply to inmates who are paroled before the start of the additional indeterminate term of years.

**Indeterminate Term** Earned time credits apply to the additional term of years, so the time served on mandatory supervision will not exceed one year. The indeterminate term permits the supervision period to range from one day to no more than 365 days. This provision may shorten the length of stay on mandatory supervision, which will lower the impact of the Bill on Community-Based Corrections (CBC) caseloads.

**Facilitates Supervision** House File 525 targets offenders who are now expiring their sentences in prison, thereby avoiding supervised release in the community. During FY 2001, 79.0% of the offenders targeted under this Bill were sex offenders. These types of cases would be supervised for no more than one year in the community. Offenders released under HF 525 will be supervised at the intensive supervision level – no more than 30 offenders per Parole/Probation Officer III. The majority of the offenders will be on parole for no more than one year.

**Bill Provisions** Most of the offenders subject to mandatory parole will be first sent to a CBC work release facility, and then paroled from the facility if the offender successfully completes the program. However, if the offenders are directly released to community supervision, then the fiscal impact will be significantly different.

**Prison/CBC Admissions** Maximum admissions to the State prison and CBC systems will increase as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Fiscal Year** | **Prison** | **Work Release Facility** | **Community Supervision** |
| 2003 | 0 | 0 | 0 |
| 2004 | 5 | 28 | 23 |
| 2005 | 14 | 55 | 45 |
| 2006 | 31 | 95 | 78 |
| 2007 | 31 | 95 | 78 |

**Correctional Impact** If offenders are released directly to community supervision, then there will be no correctional impact on work release facilities, and total admissions to community supervision will not exceed 51 during FY 2004, 100 during FY 2005, and 173 in both FY 2006 and FY 2007. Additionally, admissions will increase in future fiscal years, as Class C felons will be released starting in FY 2008.

**Prison Population** The prison population will increase by a maximum of 5 inmates in FY 2004, 14 inmates in FY 2005, and 31 inmates in both FY 2006 and FY 2007. The increase in admissions to work release facilities will increase the number of offenders on waiting lists, held in the prison system. This will increase the need for additional work release beds.

**Fiscal Impact** The fiscal impact of HF 525 will not exceed the figures in the following table. Due to the indeterminate term imposed by the Bill, actual expenditures may be lower than indicated below. The information is based on offenders first being sent to a CBC work release facility, and then paroled if offenders successfully complete the program.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
| State Prisons | 0 | $29,000 | $82,000 | $106,000 | $106,000 |
| CBC Facilities | 0 | 54,000 | 106,000 | 182,000 | 182,000 |
| CBC Community Supervision | 0 | 35,000 | 74,000 | 129,000 | 129,000 |
| Total General Fund | 0 | $118,000 | $262,000 | $417,000 | $417,000 |
| Total CBC FTEs | 0.00 | 0.77 | 1.50 | 2.60 | 2.60 |

**Cost Estimates** The costs for State prisons and CBC facilities represent support costs only and do not include staffing costs.

**Impact on CBC** If offenders are released directly to CBC supervision, then there will be no fiscal impact on CBC work release facilities. However, CBC supervision will increase by $84,300 and 1.7 FTE positions in FY 2004, $165,700 and 3.3 FTE positions in FY 2005, and $286,000 and 5.7 FTE positions in both FY 2006 and FY 2007.

**CBC Fiscal Impact** The fiscal impact does not include:



* The potential additional costs for the CBC Sex Offender Treatment Program.
* The additional costs for increased parole cases, since inmates have an incentive under the Bill to accept parole to avoid the mandated community supervision.
* The construction costs associated with additional work release beds, if required. Additional beds may be required in FY 2006, given current waiting lists and the number of inmates released under HF 525. If additional beds are built, construction costs are estimated to be $25,000 per bed. Two 50-bed facilities would cost approximately $2.5 million, excluding one-time start-up costs of $100,000 per facility.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Terrorism - SF 2146 Passes the Senate

**SF 2146** The Senate passed SF 2146, which defines terrorism and provides that a person who kills another while participating in an act of terrorism commits a Class A felony. The Bill provides that soliciting or participating in an act of terrorism is a Class B or Class C felony, depending upon the value of the material support or resources. A person who makes a threat of terrorism commits a Class D felony. A person who obstructs the prosecution of terrorism that results in the death of another, commits a Class B felony. A person who obstructs the prosecution of terrorism that does not result in death commits a Class C felony. The Bill changes the name of the current criminal offense of “terrorism” to “intimidation with a dangerous weapon” and enhances existing penalties for these offenses.

**Fiscal Impact** There is no significant correctional or fiscal impact due to the proposed Class A felony offense. Homicides while participating in a forcible felony are already punishable by life in prison without parole.

**Fewer Convictions** During FY 2003, there will be six fewer convictions for the Class D felony intimidation with a dangerous weapon and six more convictions for the Class B felony of intimidation with a dangerous weapon. During FY 2004, and each year thereafter, there will be 12 fewer convictions for Class D felony intimidation with a dangerous weapon and 12 more convictions for Class B felony intimidation with a dangerous weapon.



**Prison Admissions** Due to the enhanced penalties for intimidation with a dangerous weapon, there will be three offenders admitted to prison and the prison population will increase by three inmates during FY 2003. During FY 2004, and each year thereafter, admissions to prison will increase by six offenders. During FY 2004, the prison population will increase by 9 inmates; by FY 2007, the prison population will increase by 43 inmates.

**CBC Admissions** Due to the enhanced penalties for intimidation with a dangerous weapon, admissions to Community-Based Corrections (CBC) probation supervision will decrease by three offenders during FY 2003, and by six offenders each year thereafter.

**Correctional Impact** There is no data with which to estimate the correctional impact of creating new offenses of terrorism. However, there will be a correctional impact to the extent that convictions under this statute occur, but that impact is not anticipated to be significant.



**General Fund Costs** Due to the enhanced penalties for intimidation with a dangerous weapon, SF 2146 will result in additional costs to the General Fund of $31,000 during FY 2003 and $77,000 during FY 2004. These increased costs are associated with indigent defense and the correctional system.

 The fiscal impact of creating new offenses of terrorism cannot be determined due to insufficient information. However, it is not anticipated to be significant.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Sexually Violent Predators Commitment - SF 2286 Passes the Senate



**SF 2286** The Senate passed SF 2286, which amends Chapter 229A, Code of Iowa. The Bill provides definitions, clarifies existing law for annual review and final hearings for civilly committed sexually violent predators, and establishes a transitional release program administered by the Department of Human Services (DHS). The Bill permits the DHS to contract with other government or private agencies, including the Department of Corrections (DOC), to implement and administer the transitional release program. The Bill provides procedures to be followed in an event that the sexually violent predator commits a criminal offense. A person who has been civilly committed under Chapter 229A, Code of Iowa, and received treatment, and is subsequently convicted of a sexually predatory or sexually violent offense is sentenced to life in prison. However, if the offense for which the offender was convicted is a misdemeanor offense, the offender is eligible for parole from the life sentence.

**Current Statistics** There are currently 10 safekeepers and 27 civilly committed sexually violent predators housed at the Iowa Medical Classification Center at Oakdale. There is no correctional impact for the life sentence imposed by SF 2286, as there are few people currently civilly committed. It is unlikely that a significant number of them will transition to the community over the next five years.

**Funding Requested** The DHS has requested $118,400 and 1.0 FTE position for a community residential placement program in FY 2003. This includes $56,600 for one Social Worker 4, $64,600 for contractual services such as treatment and supervision, and $200 for travel.

**Fiscal Impact** The changes related to the probable cause hearing and annual review process may result in cost containment of $32,000 for the Office of the Attorney General. There is no impact on the Office of the State Public Defender. The fiscal impact on the DOC is not expected to be significant.

**Impact on Counties** The fiscal impact on the counties for operating jails is not anticipated to be significant.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Audit - Iowa Egg Council

**Audit Report** The State Auditor issued the FY 2000 and FY 2001 Audit Report for the Iowa Egg Council on March 1, 2002.

**Background**  The purpose of the Iowa Egg Council is to assist in the maintenance and development of markets for poultry products.

**Reportable Conditions**The Report indicated there were two reportable conditions. The first related to segregation of accounting duties. One employee completes the majority of the tasks, including financial reporting, preparing and signing checks, reconciling bank statements, and purchasing fixed assets. It was recommended that the Council review reconciliation of bank statements, invoices, checks, and financial statements. The Council agreed to implement oversight control procedures. The response was accepted. The second reportable condition was the Council needed to adopt a depository resolution that identifies the maximum amount that can be kept on deposit. The Council agreed to adopt a depository resolution for Well Fargo Bank. The response was accepted.



**More Information** For more information on these comments, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Covenant Marriage - Senate File 2106 Passes the Senate as amended

**SF 2106** The Senate passed SF 2106 as amended. The Bill provides fees for marriage licenses based on premarital counseling. If applicants for a license attend premarital counseling, the cost for their marriage license is $20 and the waiting period is three days. Under current law, the cost for a marriage license is $35 and the waiting period is three days. If applicants for marriage do not take premarital classes, the cost for their marriage license is $50 and they have to wait 30 days to get married. If they chose not to wait 30 days and there is an existence of emergency or extraordinary circumstances, a district court judge may authorize the license to marry prior to the expiration of thirty days.



STAFF CONTACT: Jennifer Dean (Ext. 17846)

Contempt of Court Penalities - SF 2101 passes the Senate

**SF 2101** The Senate passed SF 2101 which increases monetary fines for any contempt of court penalty in the Supreme Court, Court of Appeals, and the District Courts, including Magistrate Court and Juvenile Court. Pursuant to Chapter 665, Code of Iowa, there is no distinction between civil and criminal contempt of court. The Bill increases the contempt of court fine at the Supreme Court or Court of Appeals level from $1,000 to $15,000. The fine for contempt of court at the District Court level is increased from $500 to $10,000. The fine for contempt of court is increased from $100 to $500 at the Magistrate level.

**Current Statistics** In calendar year 2001, there was one contempt of court matter and no fine imposed at the Supreme Court level, there were 1,303 contempt of court matters of which 49 fines were imposed at the District Court level, and there were 996 contempt of court matters of which 188 fines were imposed at the Magistrate level.

**Fiscal Impact** The fiscal impact in revenue to the General Fund would be approximately $2,100 in FY 2003, $5,500 in FY 2004, and $9,600 in FY 2007.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

First Responder State/Local Preparedness Grant



**Additional FEMA Funds** The President’s budget for FY 2003 provides additional funds of $3.5 billion under the Federal Management Emergency Agency (FEMA) for State and local governments for the First Responder State/Local Preparedness grant. Approximately one-third of the funds would be used for State and local first responders. The remainder of the funding would be used for training, planning, technical assistance, and administration. The new program would consolidate funds from the first responder grant previously funded at $635 million in FY 2002 through the Department of Justice and the recently created FEMA FIRE grant funded at $360 million in FY 2002.

**Match Rate** Twenty-five percent for the funding would be distributed to the states for discretionary spending with a match rate of 75–25 with the remainder of the funds going to the locals.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Woman’s Right to Know – HF 2264, passes the House



**HF 2264** The House passed House File 2264, the Woman’s Right to Know Bill, on March 4, 2002. House File 2264 establishes a new chapter in the Code of Iowa relating to informed consent prior to an abortion. The Bill specifies the required informed consent provisions and provides alternatives to providing informed consent in the case of a medical emergency. House File 2264 requires the Department of Public Health to publish or make available certain information relating to options for managing a pregnancy. The Bill also provides penalties. House File 2264 would result in an annual cost to the General Fund of approximately $96,000. There is no significant correctional impact expected as a result of House File 2264. Copies of the Fiscal Note can be obtained by visiting the Fiscal Bureau web site at <http://staffweb.legis.state.ia.us/lfb/>.

STAFF CONTACT: Russ Trimble (Ext. 14613)

.08 Blood Alcohol Content Reduction – SF 2144 Passes Senate

**SF 2144** The Senate passed SF 2144 (.08 Blood Alcohol Content Reduction) on March 6. The Bill changes the limit for the blood alcohol concentration while driving a motor vehicle from .10 to .08 percent.

**Fiscal Impact State and Local Fiscal Impact -** The estimated fiscal impact of SF 2144 is expected to result in increased costs to the State General Fund of $426,000 during FY 2003 and $852,000 in FY 2004. Total statewide costs for local jails on an annual basis are estimated to be $66,000 to $111,000 more than current law.



**Fed Funds Impact Federal Funds Impact -** If Iowa adopts the .08 blood alcohol concentration law by October 1, 2003, (Federal Fiscal Year [FFY] 2004), the State will continue to receive their annual portion of federal highway funds. That amount is currently $235.0 million. If Iowa does not adopt the .08 blood alcohol concentration law by October 1, 2003, (FFY 2004), federal highway funds to Iowa will be withheld in the projected amounts listed below. The amounts are based on the existing level of funding of $235.0 million. If Iowa adopts the .08 blood alcohol concentration law by September 30, 2007, however, any of the following funds previously withheld would be reimbursed:

**SanctionsSanctions**

* 2.0% ($4.7 million) would be withheld on October 1, 2003, (FFY 2004 funds):



$3.1 million from the State

$1.6 million from cities and counties

* 4.0% ($9.4 million) would be withheld on October 1, 2004, (FFY 2005 funds):

$6.3 million from the State

$3.1 million from cities and counties

* 6.0% ($14.0 million) would be withheld on October 1, 2005, (FFY 2006 funds):

$9.4 million from the State

$4.6 million from cities and counties

* 8.0% ($18.7 million) would be withheld on October 1, 2006, (FFY 2007 funds):

$12.5 million from the State

$6.2 million from cities and counties



**IncentivesIncentives -** If Iowa adopts the .08 blood alcohol concentration law by October 1, 2002, (FFY 2003); Iowa would become eligible for an incentive grant in FFY 2003. Depending on the number of states with a .08 blood alcohol concentration law, on October 1, 2002, the Department of Transportation could receive between $1.4 million and $2.4 million. The money is restricted to highway-related projects, including safety programs, under 23 U.S.C. No State matching funds are required for the grant.

**Incentive Program Sunsets** If Iowa does not adopt the .08 blood alcohol concentration law by October 1, 2002, the State is not eligible for the incentive grant. The incentive program sunsets on September 30, 2003. However, Congress could authorize additional years through reauthorization of the Transportation Equity Act of the 21st Century (TEA-21), which takes effect on October 1, 2003.



**Other States** As of October 2001, 27 states, the District of Columbia, and Puerto Rico have adopted .08, and have received incentive grants. As of December 2001, eight states have introduced legislation to adopt .08. As more states become eligible for the grants, the amount received by each state decreases.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

LOTTERY REVENUES AND EXPENDITURES THROUGH JANUARY



**January Rev./Exp.** Through January, FY 2002 Lottery game revenues increased $10.5 million from the FY 2001 level. Lottery prize expenses increased $4.8 million, operating expenses increased $1.1 million, and transfers to State funds increased $4.3 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 January, compared to the same time period of FY 2001, were as follows:

* Instant ticket sales decreased $2.7 million (5.8%).
* Pick 3 sales increased $403,000 (18.3%).



* Multi-State Powerball sales increased $12.7 million (46.6%).
* Rolldown sales decreased $405,000 (31.1%).
* Freeplay Replay sales decreased $242,000 (52.9%).
* Cash 4 Life sales decreased $481,000 (100.0%).
* Daily Game sales increased $52,000 (2.2%).
* Pull-tab sales decreased $49,000 (0.3%).

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**Ticket Sales** Total Lottery sales through January were $105.9 million, an increase of $10.5 million (11.0%) compared to January 2001. July through January 2002 sales for the Daily Game, Powerball and Pick 3 were above sales for the same period during FY 2001. Included in the sales amount was the receipt of $1.2 million due to the demutualization of Principal Mutual Insurance Company.

**Estimated Transfers** The February Revenue Estimating Conference (REC) projected FY 2002 Lottery profit transfers to the General Fund will total $33.1 million. Actual profit transfer for FY 2001 was $35.4 million. Therefore, the REC is currently estimating General Fund Lottery transfers will be $2.3 million (6.5%) lower in FY 2002 than in FY 2001. Through January, FY 2002 transfers to the General Fund are $4.2 million (22.6%) above FY 2001.

**Sales Tax** In addition to the amount transferred to the State as profits, the Lottery has transferred $5.2 million in sales tax during FY 2002.

STAFF CONTACT: Ron Robinson (Ext. 16256)

Ankeny and Polk County Receive Local Development Grant



**RISE Grant Approved** 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 November 6, 2002, the Commission approved one of the eight grants to Polk County and the City of Ankeny for construction of a new interchange at Interstate 35 and NE 66th Avenue south of Ankeny.

**Project Cost** The total cost of the project is $11.1 million. The City of Ankeny requested a RISE grant of $5.5 million, and will provide a 50% local match. The Commission awarded a grant of $5.5 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.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Hardin County Receives Rebuild Iowa’s Sound Economy (RISE) Grant



**RISE Grant Approved** Hardin County filed a RISE Immediate Opportunity Grant application in October requesting $120,000 to grade and pave approximately 1,000 feet of local road, west of County Road S-56. According to Hardin County, the project is necessary to provide paved access to a proposed ethanol plant to be constructed by Pine Lake Corn Processors. The total cost of the road improvement project is $192,000.



**Project Cost** In November, the Department of Transportation (DOT) Commission approved the grant of $120,000, or up to 62.5% of the total RISE eligible project cost, whichever is less, from the County share of the RISE fund. The grant was approved, contingent on the following conditions:

* Utilization of the proposed economic development;
* Creation of 20 new jobs at Pine Lake Corn Processors within two years after completion of the RISE project; and
* Fulfillment of the legislative requirements for the RISE Program.

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

* Creation of 20 new jobs at Pine Lake Corn Processors, and
* $17.9 million in associated capital investment.

**Average Starting Wage** Pine Lake Corn Processors will be located 3.5 miles north of Steamboat Rock. The average starting wage for the new positions at the plant is approximately $10.00 per hour compared to 75% of Hardin County’s average wage rate of $7.74 per hour. The turnover rate for employees at Pine Lake Corn Processors is expected to be less than 10%. The County proposes $72,000 (37.5%) local participation, in addition to the RISE request of $120,000, for the $192,000 project.

**Capital Investment** The RISE cost per job assisted will be $6,000, and there will be a total capital investment of $148.79 for each RISE dollar requested, which is more than twice the average. The amount is based on the RISE cost per job assisted of three other ethanol plants.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

What’s New on the LFB Web Site?



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

**Salary Book** The FY 2001 State Salary Book is now available on the LFB web site. This application allows you to search by employee name or Department. The FY 2001 State Salary Book web link is: <http://staffweb.legis.state.ia.us/lfb/salbook>

**Gov’s Revised Rec.** The Fiscal Bureau analysis of the Governor’s Revised FY 2003 Budget Recommendations, by appropriations subcommittee, can be found at: <http://staffweb.legs.state.ia.us/lfb/docs/BudgAnalysis/BudgAnalysis.htm>. The March 11 *Special Edition* of the Fiscal Update contains an overall summary and tracking document. See below.

**Subcommittee Info.** The Appropriation Budget Subcommittees are meeting. The LFB staff puts on the web site the agenda, minutes, and handouts from each subcommittee meeting. This information can be found at:<http://staffweb.legis.state.ia.us/lfb/legis_committees.htm>

**Revenue Memo** The March monthly revenue memo is available at:<http://staffweb.legis.state.ia.us/lfb/mrmemo/mrmemo.html>

**Fiscal Update** The March 4, 2002, version of the Fiscal Update, a weekly newsletter about State government finances, and the March 11 ***Special Edition*** on the Governor’s Revised FY 2003 Budget Recommendation. The web link is:<http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>

**NOBA** The LFB analyses of appropriation bills are published to the web as completed, the web link is: <http://staffweb.legis.state.ia.us/lfb/noba>

**Fiscal Notes** The LFB Fiscal Notes are published to the web as completed, the web link is: <http://staffweb.legis.state.ia.us/lfb/fiscalnotes/index.jsp>

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

 STAFF CONTACT: Nicole Navara (Ext. 16766)

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