FISCAL UPDATE March 25, 2002

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Agriculture and Natural Resources Appropriations Subcommittee

**Agric./Natural Res. Sub.** The Agriculture and Natural Resources Appropriations Subcommittee met on March 20. Deb Kozel, Legislative Fiscal Bureau, discussed the amount appropriated to the Department of Agriculture and Land Stewardship and the Department of Natural Resources over the past ten years. The following chart summarizes the General Fund appropriations since FY 1994:

**Budget Targets** The FY 2003 General Fund budget target was $33.4 million and 1,548.9 FTE positions for the Agriculture and Natural Resources Appropriations Subcommittee. This is a decrease of $1.6 million (4.5%) and 8.8 (0.6%) FTE positions compared to the estimated net FY 2002 appropriation.

**Dept. of Agriculture** The target is $17.4 million from the General Fund and 485.7 FTE positions for FY 2003 for the Department of Agriculture and Land Stewardship. This is a decrease of $1.1 million (6.2%) and a decrease of 8.8 (1.8%) FTE positions compared to estimated net FY 2002. Significant changes include:



* An increase of $252,000 (10.6%) and 14.0 (29.6%) FTE positions in the Administrative Division.
* A decrease of $410,000 (8.1%) and 11.0 (8.9%) FTE positions in the Regulatory Division.



* A decrease of $633,000 (20.0%) and 10.0 (11.9%) FTE positions in the Laboratory Division.
* A decrease of $270,000 (4.0%) and 4.3 (2.2%) FTE positions in the Soil Conservation Division.
* A decrease of 2.5 (5.7%) FTE positions that are not appropriated by the Subcommittee. This includes a decrease of 1.5 FTE positions in the Agriculture Drainage Wells Program and 1.0 FTE position in the Agriculture Development Authority Program.

**Dept. of Natural Resources** The target is $15.9 million from the General Fund and 1,063.1 FTE positions for FY 2003 for the Department of Natural Resources. This is a decrease of $492,000 (3.0%) and no change in FTE positions compared to estimated net FY 2002. Significant changes include:



* A decrease of $203,000 (3.3%) and no change in FTE positions in the Parks and Preserves Division.
* A decrease of $44,000 (2.1%) and no change in FTE positions in the Administrative Services Division.
* A decrease of $37,000 (2.1%) and no change in FTE positions in the Forest and Preserves Division.
* A decrease of $35,000 (2.1%) and no change in FTE positions in the Energy and Geology Division.

C:\Program Files\Microsoft Office\Clipart\smbusbas\bs00094_.wmf**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/ag_dnr/ag_dnr.htm>

STAFF CONTACT: Deb Kozel (Ext. 1-6767)

Economic Development Appropriations Subcommittee

**Econ. Development Sub.** Mark Ketchum met with the Economic Development Appropriations Subcommittee on March 20 and presented information on performance measurement. Mr. Ketchum is an industrial engineer and has experience in both the private and public sectors. The discussion centered on establishing measurable goals, identifying bottlenecks in the procedures used to reach the goals, and use of specific measurements to understand how effectively the organization is performing. Mr. Ketchum commented that resources need to be focused on eliminating or controlling the bottlenecks and on doing only those activities that lead to accomplishing the goal.

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**Budget Discussion** On March 21, the Chairpersons distributed their recommended appropriations to the Subcommittee. The discussion focused on the potential impact of the reductions on the Departments. The highlights of the recommended appropriations are:

**DED Department of Economic Development (DED):**



* An appropriation of $18.3 million and 217.0 FTE positions. This is a decrease of $2.5 million and 3.0 FTE positions compared to estimated net FY 2002. Major changes included:
* Appropriations were made at the division level instead of the program level. Intent language was included to set goals for the Department, to require emphasis on programs with the greatest impact, and to develop performance measurements to insure accountability. The Department will report how resources are allocated among the programs.
* The World Food Prize received a line item appropriation of $285,000, which is the same as the FY 2002 allocation it received from DED.
* A $30,000 appropriation was included to conduct a statewide inventory of economic development programs.
* The Code of Iowa will be amended to eliminate the appropriation to the Office of Renewable Fuels, and intent language will be included in the Bill to require the Office to cooperate with DED and apply for funding.
* Earmarked allocations to various programs were eliminated, and the programs were directed to apply to DED and compete for funding with other applicants.

**Workforce Development Iowa Workforce Development (IWD):** An appropriation of $4.9 million and 1,043.4 FTE positions. This is a general decrease of $871,000 and an increase of 58.4 FTE positions compared to estimated net FY 2002. The appropriation included the Department’s request to shift the Workforce Development Board staff to a federally funded position with a corresponding reduction in the General Fund appropriation.

**Public Empl. Relations Public Employment Relations Board:** An appropriation of $834,000 and 12.0 FTE positions, which is no change compared to estimated net FY 2002.

**Regents Programs Regents Economic Development Programs:** An appropriation of $5.8 million and 73.7 FTE positions, a decrease of $1.1 million and no change in FTE positions. Appropriations were made to each university combining the amounts for the programs. Intent language was included to set goals for the programs and require reports on how resources are allocated among the programs.

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STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

Education Appropriations Subcommittee

**Education Subcommittee** The Education Appropriations Subcommittee met on March 19 and 20 to hear the following presentations:

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* Board of Regents - The Subcommittee heard from Owen Newlin, Board President, and each of the university presidents, including:
* Mary Sue Coleman, President of the University of Iowa
* Greg Geoffroy, President of Iowa State University
* Robert Koob, President of the University of Northern Iowa.



* Vocational Rehabilitation Division of the Department of Education and Independent Living – Dwight Carlson, Division Administrator, updated the Subcommittee on services and budget reduction impacts.
* Department of Cultural Affairs – Anita Walker, Director, provided information regarding the Department’s budget.
* Board of Regents Special Schools – The Subcommittee heard comments from Bill Johnson, Superintendent of the Iowa School for the Deaf at Council Bluffs, and Dennis Thurman, Superintendent of the Iowa Braille and Sight Saving School at Vinton.

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STAFF CONTACT: Mary Shipman (Ext. 14617) Robin Madison (Ext. 15270)

Health and Human Rights Appropriations Subcommittee Meeting

**Health/Human Rts. Sub.** The Health and Human Rights Subcommittee met the week of March 18 and conducted the following business:

**Public Health** On March 19, a representative from the Department of Public Health presented budgets for each Budgeting for Results area by program. A discussion of performance measures followed the presentation of each budget.

**FY 2003**

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**Budget Discussion** On March 20, both caucuses of the Health and Human Rights Subcommittee met individually to discuss the FY 2003 budget targets. On March 21, the Subcommittee met to discuss the proposed FY 2003 budget.

**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: Russ Trimble (Ext. 14613) Lisa Burk (Ext. 16765)

Transportation, Infrastructure, and Capitals Approprations Subcommittee

**Trans, Infra., & Capitals** The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met on March 19 and 20. The following Departments presented on March 19:

* Iowa National Guard – A representative provided an overview on the Guard’s request of $1.3 million in Infrastructure funds to close, relocate, and provide new armory construction. Currently, 30.0% of the armories are inefficient and below authorized strength. The Governor is recommending $700,000 for the armories for FY 2003.



* Department of Management (DOM) – A representative from DOM gave a brief presentation on the Department’s three-year plan to implement the Enterprise Resource Planning System. The System consists of a database in which multiple components, including human resources, payroll, and accounting, would be entered into one database as a way to streamline budgeting processes. The Governor is recommending $4.4 million in FY 2003 for the project. The total project cost over the three years is $10.0 million.
* Department of Information Technology – A representative provided an overview on FY 2002 Pooled Technology Fund projects. The Department of Information Technology is requesting $74.5 million from Infrastructure funds for FY 2003, and the Governor is recommending $7.5 million.
* Iowa Public Television (IPTV) – A representative from IPTV presented on Digital Television, including how digital signals are transmitted and the requirements of broadcasters. Iowa Public Television is requesting $21.6 million for FY 2003 to convert IPTV’s transmitter sites from analog to digital technology. The Governor is recommending $2.5 million for FY 2003.
* Iowa Communications Network (ICN) – A representative from ICN presented on the current status of the ICN upgrade throughout Iowa. The Governor is recommending an appropriation of $2.7 million for maintenance and lease costs associated with the Part II build-out for schools and libraries.

**Presentations** The following Departments presented on March 20:

* Capitol Complex Parking Ramp – Information was presented on the current progress of the ramp located at Grand and Pennsylvania. The project currently includes constructing a parking ramp with 494 spaces. A representative of the developer of the project informed the Subcommittee that the State could save approximately $1.4 million if they build a larger parking ramp now, with an additional 379 spaces, rather than completing the first 494 spaces as planned and then adding more spaces at a later date. The additional cost for the addition is estimated at $3.4 million.

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* Board of Regents – A representative provided an overview of last year’s capital projects and FY 2003 requests. The Board of Regents is requesting $71.7 million for new projects in FY 2003 and the Governor is recommending $7.7 million for new projects.
* Department of Cultural Affairs – A representative gave a brief presentation on the Historic Site Preservation Program and provided a history of Program grants from FY 1999 to FY 2002. It was mentioned that every dollar invested in the Program generates four dollars locally. The Governor is recommending $800,000 for the Grant Program in FY 2003.

The Department also presented a slide show on current practices to preserve the Iowa Civil War Battle Flags. The Governor is recommending $150,000 for FY 2003 for the Battle Flag preservation.

**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>

STAFF CONTACT: Mary Beth Mellick (Ext. 18223) David Reynolds (Ext. 16934)

Transportation Appropriations Bill – LSB 6023 Passes Transportation, Infrastructure, and Capitals SubCommittee

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**Subcommittee Bill** The Transportation, Infrastructure, and Capitals Appropriations Subcommittee passed LSB 6023, the Transportation Appropriations Bill, on March 20. The Bill appropriates a total of $261.5 million to the Department of Transportation (DOT), which includes $600,000 from the General Fund, $42.3 million from the Road Use Tax Fund, $218.5 million from the Primary Road Fund, and 3,458.0 FTE positions. This is a decrease of $16.3 million (5.9%) and 401.0 FTE positions (10.4%) compared to the FY 2002 estimated net appropriation. The appropriations in LSB 6023 represent a decrease of $4.4 million compared to the Department’s FY 2003 request, and a decrease of $4.1 million compared to the Governor’s FY 2003 recommendations. Highlights of the Transportation Bill are listed below.

**General Fund General Fund Appropriations -** The Bill appropriates $600,000 from the General Fund for the following programs:

**Aviation** Aviation



* Appropriates $500,000 for airport engineering studies and improvement projects, a decrease of $1.6 million compared to the FY 2002 estimated net appropriation. In previous years, aviation studies and programs were listed as one line-item appropriation. They are now listed as separate appropriations. The appropriations are as follows:
* $110,000 – Iowa Aviation Weather System
* $100,000 – Runway Marking Program
* $12,000 – Windsock Program
* $278,000 – Aviation Improvement Program

**Rail** Rail

* Appropriates $100,000 for the Rail Assistance Program and to provide economic development project funding. This is a decrease of $468,000 compared to the FY 2002 estimated net appropriation.

**Non-General Fund Non-General Fund Appropriations**



Division Budget Units - The Bill appropriates $242.9 million to the following division budget units:

* Operations and Finance – Appropriates $35.8 million and 267.0 FTE positions from the Road Use Tax Fund and the Primary Road Fund, a decrease of $2.0 million and 43.0 FTE positions compared to the FY 2002 estimated net appropriation.
* Administrative Services – Appropriates $3.7 million and 37.0 FTE positions from the Road Use Tax Fund and the Primary Road Fund, a decrease of $194,000 and 5.0 FTE positions compared to the FY 2002 estimated net appropriation.
* Planning – Appropriates $9.2 million and 146.0 FTE positions from the Road Use Tax Fund and the Primary Road Fund, a decrease of $517,000 and 17.0 FTE positions compared to the FY 2002 estimated net appropriation.
* Motor Vehicle – Appropriates $27.9 million and 526.0 FTE positions from the Road Use Tax Fund and the Primary Road Fund for the Motor Vehicle budget unit, a decrease of $1.5 million and 36.0 FTE positions compared to the FY 2002 estimated net appropriation.
* Highway – Appropriates $166.2 million and 2,482.0 FTE positions from the Primary Road Fund for the Highway budget unit, a decrease of $9.0 million and 300.0 FTE positions compared to the FY 2002 estimated net appropriation.

**Special Purpose** Special Purpose - The Bill appropriates $15.1 million for the following Special Purpose projects. Significant appropriations include:



Driver’s License

* Appropriates $4.0 million from the Road Use Tax Fund for the Driver License Digitized Imaging System, which is no change compared to the FY 2002 estimated net appropriation.
* Appropriates $345,000 from the Road Use Tax Fund and the Primary Road Fund for payment of unemployment compensation costs.
* Appropriates $2.0 million from the Road Use Tax Fund and the Primary Road Fund for worker’s compensation costs, which is no change compared to the FY 2002 estimated net appropriation.
* Appropriates $850,000 from the Road Use Tax Fund and the Primary Road Fund for payment to the General Fund for indirect cost recoveries, which is no change compared to the FY 2002 estimated net appropriation.



* Appropriates $390,000 from the Road Use Tax Fund and the Primary Road Fund for reimbursement to the Auditor of State for audit expenses, an increase of $45,000 compared to the FY 2002 estimated net appropriation.
* Appropriates $5.0 million from the Road Use Tax Fund to rewrite the Vehicle Registration System. This is a new appropriation for FY 2003.
* Appropriates $750,000 from the Road Use Tax Fund and the Primary Road Fund for reimbursement to the Department of Personnel for services provided to support DOT personnel functions. This is no change compared to the FY 2002 estimated net appropriation.
* Appropriates $800,000 from the Primary Road Fund for contractual services for hazardous waste disposal, which is no change compared to the FY 2002 estimated net appropriation.
* Appropriates $275,000 from the Primary Road Fund for Transportation Maps. This was previously funded from Operations, but is now listed as a Special Purpose appropriation.
* Appropriates $352,000 from the Primary Road Fund for deferred maintenance projects at DOT field facilities throughout the State. This is no change compared to the FY 2002 estimated net appropriation.



**Capitals** Capitals - The Bill appropriates $2.8 million for the following Capital projects. Significant appropriations include:

* Appropriates $400,000 from the Primary Road Fund for replacement of roofs at various maintenance garages throughout the State, which is no change compared to the FY 2002 estimated net appropriation.
* Appropriates $200,000 for improvements to DOT facilities located throughout the State as required under the Americans with Disabilities Act, which is no change compared to the FY 2002 estimated net appropriation.
* Appropriates $2.0 million from the Primary Road Fund to renovate the basement of the DOT Administration Building at the Ames Complex. This is an increase of $500,000 compared to the FY 2002 estimated net appropriation.
* Appropriates $200,000 from the Primary Road Fund for utility improvements at rural maintenance locations throughout the State. This is a new appropriation for FY 2003.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223) David Reynolds (Ext. 16934)

Ways & Means Bills

**Ways & Means Bills** The following is the status of significant Ways & Means bills as of March 22:

**Venture Capital Tax Credit** House File 2586 – Venture Capital Tax Credit Bill – The Bill allows a tax credit of up to 6.0% of a qualified investment in a venture capital fund. The taxpayer is not allowed to use the credit until the third year after the investment is made. The Bill provides that the aggregate amount of all credits allowed in a fiscal year shall not exceed $5.0 million. The Bill was approved by the House Ways & Means Committee on March 11.



Tax Credit

**Start-up Businesses** House File 2592 – Start-up Business Tax Deferral Bill – The Bill allows qualified start-up businesses to defer Iowa corporate income taxes during the first two years of operation. The taxes would then be paid to the State over the next five years. A projection of the fiscal impact of the Bill is in process. The Bill was approved by the House Ways & Means Committee on March 20.



**IRC Update** House File 2116 – Internal Revenue Code (IRC) Update Bill – The Bill updates Iowa’s revenue code to match changes to the federal tax code through January 31, 2002 (does not include the recent federal stimulus package). 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 March 22, the Senate 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 now goes back to the House.

**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 on March 11.

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**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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**Firefighter Fund** Senate File 2319 – Firefighter Preparedness Bill – The Bill dedicates one-eighth of one percent of the premium taxes derived from premium taxes on property insurance to a firefighter training program. The Bill also creates a firefighter training tax check-off on the individual income tax form. The Bill is projected to reduce General Fund insurance premium tax revenues by $53,000 per year and the tax check-off is projected to generate between $50,000 and $100,000 per year. The Bill 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 March 21.



 $ Internet Sales

**Insurance Tax Reduction** Senate File 2318 – Insurance Tax Rate Reduction Bill – The Bill would reduce Iowa’s insurance premium tax from the current 2.0% to 1.0% over a four-year period. The reductions would start in calendar year 2003 for life and health insurance and in 2004 for property and casualty insurance. The Bill would also increase the percentage of tax pre-payment required in June of the calendar year. The Bill would reduce General Fund receipts by $1.8 million in FY 2004 and increase each year through FY 2008, when the Bill would reduce General Fund receipts by $73.2 million. The Bill was approved by the Senate Ways & Means Committee on March 21.

**Internet Tax Refund** House File 2585 – Internet Sales Tax Refund Bill – The Bill exempts internet service provided during a specific timeframe and under specific circumstances from the State sales tax. The Bill is projected to decrease sales tax receipts and increase sales tax refunds by a combined total of $123,000. The Bill passed the House on March 21.

**Governor Signed** The Governor has signed the following Ways and Means legislation:



Governor

Signed

* House File 2078 – Venture Capital Contingent Tax Credit Act signed February 28.
* House File 2271 – Seed Capital Tax Credit Act signed February 28.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Oil Overcharge Bill - sF 2140 Passes House



**SF 2140 - Oil Overcharge** The House passed SF 2140 (Oil Overcharge Appropriations Bill) on March 20. 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)

Block Grant and Federal Funds Appropriations Bill - HF 2582 Passes the House



**HF 2582** On March 20, the House passed HF 2582, the Block Grant and Federal Funds Appropriations Bill. The Bill provides the mechanism for the State to receive an estimated $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 I**n addition, the Bill also provides the mechanism for State agencies to receive $2.803 billion in categorical federal and nonstate funds.

**More Information C**opies 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/>.

**NOBA**

STAFF CONTACT: Lisa Burk (Ext. 16765) Russ Trimble (Ext. 14613)

FY 2003 School Aid Appropriations Bill - SF 2315 Passes House and Senate

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**SF 2315 – School Aid** On March 18, the Senate passed SF 2315 (School Aid Appropriations Bill) and on March 19, the House passed the Bill with no changes. The Bill as passed by the General Assembly provides the following:

* Reduces the FY 2003 allowable growth rate to 1.0%. The 2001 General Assembly set the FY 2003 allowable growth rate at 4.0% during the 2001 Legislative Session.
* Continues the $7.5 million State aid reduction to Area Education Agencies for Special Education Support Services for FY 2003 and FY 2004. This reduction was initiated and enacted in the FY 2002 Standing Appropriations Act (HF 755).
* Allows Area Education Agencies to use funds from the Media Services Program and Education Services Program to maintain the level required for the Special Education Support Services Program in FY 2003 and FY 2004.
* Requires in FY 2003, that of the $75.0 million to be deposited in Iowa’s Health Account of the Tobacco Settlement Trust Fund, $20.0 million be appropriated to the Department of Management to supplant $20.0 million from the State General Fund appropriation for school aid.
* Appropriates $1,784.1 million from the General Fund for FY 2003 School Foundation Aid. This is an increase of $59.0 million over the estimated net FY 2002 amount, which was reduced by $77.5 million (4.3%) in HF 759 (FY 2002 Budget Adjustment Act) during the Second Extraordinary Session in November 2001.

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* Requires that if the calculated FY 2003 State aid amount for allowable growth at a 1.0% allowable growth rate is greater than the appropriated amount, the difference should be deducted from school districts on a per pupil basis. The estimated amount of this difference is approximately $11.5 million. The per pupil reduction for each school district is estimated to be $23.57.
* Appropriates $25.0 million from the Iowa Economic Emergency Fund to the Department of Management to pay for a portion of State aid for school districts. The $25.0 million appropriation from the Fund will be used to supplant $25.0 million from the State General Fund appropriation for school aid.
* Specifies that the Bill take effect upon enactment.



**Fiscal Impact** The estimated fiscal impact of SF 2315 is an increase in FY 2003 State aid of $59.0 million (3.4%) compared to the estimated net FY 2002 amount. It is estimated that statewide school foundation property taxes could increase approximately $42.1 million (4.4%). Approximately $27.8 million of the property tax increase is due to the budget guarantee. It is estimated that 245 school districts will be eligible to receive the budget guarantee in FY 2003. In FY 2002, 115 school districts received the budget guarantee, totaling $7.7 million.

**More Information** A complete list of the estimated impact on individual school districts is available on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/subcom/ed_standing/Spreadsheets.htm>.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

Operating While Intoxicated Third Offenses - HF 2230 Passes the Senate

**HF 2230 - OWI** The Senate passed HF 2230, which requires all offenders convicted of Operating While Intoxicated (OWI) third and subsequent offenses to be incarcerated for at least 30 days, either in county jails or the State prison system. The Bill also requires all offenders convicted of OWI third and subsequent offenses whose probation or parole is revoked, to be revoked to State prisons rather than county jails. The Supreme Court has held there is no mandatory minimum term for OWI third and subsequent offenders that are sentenced to the Department of Corrections (DOC). The ruling places Iowa in noncompliance with federal law regarding highway funds. During FY 2002, $3.37 million of federal highway funds were transferred from the Department of Transportation (DOT) to the Department of Public Safety (DPS) for alcohol counter-measures, due to Iowa’s noncompliance with federal regulations. Approximately $6.74 million will be transferred from the DOT to the DPS during FY 2003, if Iowa’s law regarding mandatory minimum confinement terms for OWI third and subsequent offenders is not amended. House File 2230 amends Iowa law to comply with these federal regulations. The Bill also amends sentencing options for OWI third and subsequent offenses.

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**Correctional Impact** There will be an estimated eight offenders admitted to prison during FY 2003. The prison population will only increase by three inmates since the offenders serve a short prison term (60 days on average). An estimated 17 offenders will be admitted to prison during FY 2004 and each year thereafter.

**CBC Admissions** Admissions to Community-Based Corrections (CBC) facilities will increase by eight during FY 2003. Future admissions will increase by 17 offenders annually. This will increase the number of offenders on waiting lists, which will increase the need for additional OWI treatment beds.

**Probation Supervision** It is estimated admissions to CBC probation supervision will increase by 20 during FY 2003. Future admissions will increase by 41 offenders each year thereafter.

**Compliance with Fed Law** House File 2230 will bring Iowa into compliance with federal law so that approximately $6.74 million in federal highway funds will remain with the DOT during FY 2003 and will not be transferred to the DPS to be used for alcohol counter-measures.

**Fiscal Impact** Total State costs are estimated to be $77,000 in FY 2003 and $138,000 during FY 2004:



* State prison costs are estimated to increase by $18,000 during FY 2003 and each year thereafter.
* CBC facility costs for the OWI treatment program are estimated to increase by $22,000 during FY 2003 and by $46,000 during FY 2004. These estimates do not include costs for construction of additional CBC beds, if required.
* CBC supervision costs are estimated to increase by $12,000 during FY 2003 and $24,000 during FY 2004.
* Substance abuse treatment costs are estimated to increase by $25,000 during FY 2003 and $50,000 during FY 2004.

**Local Government Costs** Local government costs for county jail operations are estimated to increase by a range of $60,000 to $99,000 during FY 2003. Costs for FY 2004 are estimated to increase by a range of $119,000 to $199,000.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Computer Theft and Damages - SF 2098 Passes the House



**SF 2098-Computer Theft** The House passed SF 2098, which amends the definition of “criminal mischief” to include all classes of property. The Bill amends Section 716.6B, Code of Iowa, to enhance penalties for the various acts involved in unauthorized computer access. A person commits an aggravated misdemeanor for unauthorized access to data that contains certain confidential information, operational or support data of a public utility, or trade secrets. A person commits a serious misdemeanor if during the commission of unauthorized computer access, data is copied, altered, or deleted. A person commits a simple misdemeanor for any other unauthorized computer access. Current law classifies all unauthorized computer access as a simple misdemeanor. Senate File 2098 also permits civil proceedings for unauthorized computer access.

**Convictions** There have been no convictions under Section 716.6B, Code of Iowa, in recent years. There were 4,316 people convicted of various levels of criminal mischief during FY 2001. The majority of the convictions were for serious misdemeanors. There is no available data with which to estimate the correctional impact of these enhanced penalties and the expanded definition of criminal mischief. However, the enhanced penalties and emphasis placed on cyber crime by local law enforcement may result in increased convictions. There will be a correctional impact to the extent that convictions under Section 716.6B, Code of Iowa, occur.

**Fiscal Impact** The fiscal impact of SF 2098 cannot be determined due to insufficient information. However, the fiscal impact of:

* One aggravated misdemeanor conviction ranges from $1,600 to $6,000, depending on whether a jury trial occurs and a conviction results in a prison term.
* One serious misdemeanor conviction ranges from $1,100 to $5,000, depending on whether a jury trial occurs and a conviction results in a prison term.
* One simple misdemeanor conviction is $200.



**Impact on Counties** These figures include costs for indigent defense, Judicial Branch, Community-Based Corrections supervision, and prisons, if applicable. While the fiscal impact on counties cannot be estimated, it does not appear to be significant.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Anthrax Possession - HF 2507 Passes the House

**HF 2507 - Anthrax** The House concurred in the Senate Amendment to HF 2507, which creates criminal offenses for knowingly possessing or distributing anthrax. A person who knowingly possesses anthrax commits a Class C felony. A person who knowingly distributes anthrax commits a Class B felony. The Bill provides that a person who possesses or distributes anthrax for a purpose authorized under federal law is exempt from the criminal penalties in HF 2507.

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

**Fiscal Impact** The fiscal impact of HF 2507 cannot be determined due to insufficient information. However, the total State cost for one Class B felony conviction is approximately $48,000. This amount includes the costs of indigent defense and the Judicial Branch, plus the costs of housing the offender in prison for 87 months and supervising the offender in the community for 36 months. Total State cost for one Class C felony is approximately $27,000. This amount includes costs of indigent defense and the Judicial Branch, plus the costs of housing the offender in prison for 51 months and supervising the offender in the community for 30 months. While the fiscal impact on the counties cannot be estimated, it does not appear to be significant.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Terrorism - SF 2146 Passes the Senate



**SF 2146 - Terrorism** The Senate amended the House amendment to SF 2146, which defines “terrorism” and creates new offenses in relation to terrorism. The Bill defines terrorism and provides that a person who kills another while participating in an act of terrorism commits a Class A felony. A person who commits or attempts to commit an act of terrorism commits a Super B felony (subject to incarceration of no more than 50 years). 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 resulted 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”.

**Definitions** “Civilian population” in the Bill means large numbers of people. Certain acts of arson or vandalism are not subject to the amended definition of terrorism. Acts of terrorism as defined in SF 2146 will continue to be rare events in Iowa.

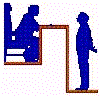
**Class A Felony** There is no significant correctional or fiscal impact due to the proposed Class A felony offense. Homicides while participating in a forcible felony are already punishable by life in prison without parole. There is no significant correctional or fiscal impact due to the proposed Super Class B felony offense, assuming terrorism continues to be a rare event in Iowa.

**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. That impact is not expected to be significant.

**Fiscal Impact** 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)

Representation of Indigent Parolees - SF 2301 Passes the House



**SF 2301 – Indigent Parolees** The House amended and passed SF 2301, which relates to the representation of indigent defendants and the duties of the State Public Defender. The House amendment provides that defense counsel shall not be provided in a parole proceeding. State claims for indigent defense may be reduced by $35,000 in FY 2003 and $70,000 in FY 2004. However, this may be a cost containment measure rather than an expenditure reduction measure. Total spending may not decrease due to increases in other cases and claims staffed by the State Public Defender’s Office or private attorneys.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Small Claims Court Jurisdiction - House File 518, passed the Senate and house as amended



**HF 518 – Small Claims** House File 518 passed the Senate on March 19 as amended. The Bill increases the small claims court jurisdiction from $4,000 to $5,000. In calendar year 2000, there were 83,528 filings. In 1994, the small claims limit was increased by $1,000, which resulted in an 8% increase in cases. The Judicial Branch estimates the increase in jurisdiction will result in approximately five new judgeship positions. On March 21, the House adopted the Senate amendment and passed the Bill.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Fire Protection Systems, House File 2588, passes THE House Appropriations committee

**HF 2588 – Fire Protection** House File 2588 passed the House Appropriations Committee on March 20. The Bill provides for the regulation of certain fire protection system contractors by the State Fire Marshal. There are 18 sprinkler company contractors in the State of Iowa. Two of those companies are based in another State. House File 2588 establishes a fee of no more than $250 for a contractor certificate. The certificate is valid for two years. The renewal fee is $150. The Bill also establishes a simple misdemeanor penalty for anyone who violates Chapter 100C, Code of Iowa. In FY 2001, there were 18 people convicted of simple misdemeanors violations of Chapter 100C. Convictions for these violations are not frequent.

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STAFF CONTACT: Jennifer Dean (Ext. 17846)

Transportation Omnibus Bill - SF 2192 Passes the House

**SF 2192 - Transportation** The House passed SF 2192 (Transportation Omnibus Bill), as amended with H 8303 and H 8304, on March 18. The Bill provides several transportation-related policy changes to the Department of Transportation (DOT), including but not limited to the following:

* Eliminates the Code of Iowa requirement that the Department conduct a Quadrennial Need Study of all State roadways every four years, with the exception of park and institutional roads.

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* The Department will complete a final Quadrennial Need Study for county roads and report the results to the General Assembly by July 1, 2002.
* The Department will continue to conduct a Need Study annually, to adjust county needs on roads whose jurisdiction has been transferred from the Department to the county or from the county to the Department.
* The Department will continue to identify the needs of park and institutional roads every four years, for the purposes of allocating park and institutional road funds to State agencies.
* An advisory committee will be established to evaluate alternative secondary and farm-to-market road fund distribution formulas, and make recommendations to the General Assembly.
* Funding from the secondary road fund will be dedicated to the County Engineers Association for the purpose of developing and administering a new distribution formula for secondary roads.

**Fiscal Impact** It is anticipated that SF 2192 will result in a cost savings to the Primary Road Fund and Road Use Tax Fund of approximately $123,000.



Governor

Signed

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Violence Against Women AcT - HF 2345 Signed by the Governor

**Governor Signed–HF 2345** The Governor signed 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 administers the grants in FY 2002.

**Fed 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.

STAFF CONTACT: Beth Lenstra (Ext. 16301) Lisa Burk (Ext. 16765)

Sex offenders at an institution of higher education - House File 2338, signed by Governor



Governor

Signed

**Governor Signed – HF 2338** The Governor signed HF 2338 into law. The Act requires convicted sex offenders to register with the county sheriff within five days of becoming a student or employee of an institution of higher education. The new law brings Iowa into compliance with the federal Campus Sex Crimes Prevention Act. Those who fail to register with the county sheriff would be guilty of a serious misdemeanor for a first offense or a Class D felony for a second or subsequent offense.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

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