FISCAL UPDATE April 08, 2002

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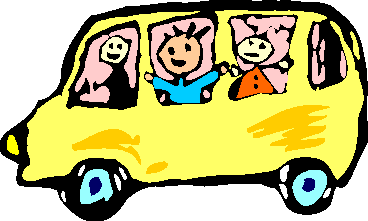
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Omnibus Appropriations Bill – SF 2326

**SF 2326** Senate File 2326 (Omnibus Appropriations Bill) was introduced and passed without amendment by the Senate Appropriations Committee on April 1. The Bill passed the Senate without amendment on April 2. The House Appropriations Committee also approved the Bill without amendment on April 3.

**Appropriations** The Bill appropriates a total of $2.689 billion from the General Fund and 32,916.4 FTE positions for the following budget subcommittee areas: Agriculture and Natural Resources; Administration and Regulation; Economic Development; Education; Health and Human Rights; Human Services; and the Justice System. The Bill also makes changes to certain standing appropriations. The funding in the Bill represents a decrease of $88.1 million and 285.4 FTE positions compared to the FY 2002 estimated net appropriation for the areas included. The Bill also appropriates $213.5 million from non-General Fund sources, a decrease of $5.8 million compared to the FY 2002 estimated net appropriation.

**OMNIBUS**



Following is a summary of funding by Division.

**Admin./Regulation *Division I – Administration and Regulation*** ***–*** Appropriates a total of $79.9 million from the General Fund and 1,961.7 FTE positions, a decrease of $3.6 million and an increase of 4.8 FTE positions compared to the FY 2002 estimated net appropriation. Departments include: Auditor of State, Commerce, General Services, Offices of Governor and

Lt. Governor, Inspections and Appeals, Management, Personnel, Revenue and Finance, Secretary of State, Treasurer of State, and Information Technology.

**Agric./Natural Resources *Division II – Agriculture and Natural Resources –*** Appropriates a total of $33.4 million from the General Fund and 1,503.3 FTE positions to the Departments of Agriculture and Natural Resources. This is a decrease of $1.6 million and 11.3 FTE positions compared to the FY 2002 estimated net appropriation.



**Economic Development *Division III – Economic Development –*** Appropriates a total of $30.0 million from the General Fund and 463.6 FTE positions, a decrease of $4.4 million and 0.7 FTE position compared to the FY 2002 estimated net appropriation. Departments included Economic Development, Workforce Development, and research and economic development portions of the Board of Regents.

**Education *Division IV – Education –*** Appropriates a total of $864.9 million from the General Fund and 17,223.9 FTE positions, a decrease of $39.7 million and no change in FTE positions compared to the FY 2002 estimated net appropriation. Departments include the College Student Aid Commission, Cultural Affairs, Education, and the Board of Regents.

**Health/Human Rights *Division V – Health and Human Rights –*** Appropriates a total of $50.0 million from the General Fund and 1,427.7 FTE positions, a decrease of $35.9 million and 13.0 FTE positions compared to the FY 2002 estimated net appropriation. Departments include Public Health, Human Rights, and the Veterans Affairs Commission.

**Human Services*****Division VI – Human Services******–*** Appropriates a total of $780.1 million from the General Fund and 5,448.7 FTE positions to the Department of Human Services. This is an increase of $24.9 million and 300.4 FTE positions compared to the FY 2002 estimated net appropriation.

**C:\Program Files\Microsoft Office\Clipart\Pub60Cor\sy00642_.wmfJustice  *Division VII – Justice –*** Appropriates a total of $473.6 million from the General Fund and 4,887.7 FTE positions, a decrease of $3.4 million and an increase of 35.3 FTE positions compared to the FY 2002 estimated net appropriation. Departments include: Justice, Corrections, portions of Inspections and Appeals, the Iowa Law Enforcement Academy, the Parole Board, Public Defense, the Iowa Communications Network, and Public Safety.

**Judicial Branch*****Division VIII – Judicial Branch******–*** Appropriates a total of $114.4 million from the General Fund to the Judicial Branch, an increase of $500 compared to the FY 2002 estimated net appropriation.

**Standing Appropriations *Division IX – Standing Appropriations –*** Appropriates a total of $376.8 million from the General Fund for certain standing appropriations. This is a decrease of $24.3 million compared to the FY 2002 estimated net appropriations.

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**Revenue Adjustments** The Bill also makes the following revenue adjustments and fund transfers:

* Requires the interest and earnings on the Economic Emergency Fund and the Cash Reserve Fund to be deposited in the General Fund for FY 2003. Interest earnings are estimated to be $15.0 million for FY 2003.
* Transfers $2.7 million from the Title Guaranty Fund to the General Fund for FY 2003.
* Transfers $400,000 from the Innovations Fund to the General Fund for FY 2003.
* Transfers $10.0 million from the Underground Storage Tank Fund to the General Fund for FY 2003.
* Transfers $1.6 million from the Waste Tire Management Fund to the General Fund for FY 2003.

**School Technology** In addition, the Bill eliminates the FY 2003 standing appropriation for the School Improvement and Technology Program and repeals the Program as of June 30, 2002. This is a decrease of $10.0 million compared to the FY 2002 estimated net appropriation.

**Other Articles** Other articles in this issue of ***Fiscal Update*** give summaries of the individual subcommittee bills and provide additional detail by subject area and department. Each individual article also lists respective LFB contacts.

#### 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: Holly Lyons (Ext. 17845) Mary Shipman (Ext. 14617)

Ways & Means Bills

**Ways & Means Bills** The following is the status of significant Ways & Means bills as of April 5:

**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 passed the House on March 25 and the Senate on April 4.



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 three years of operation. The taxes would then be paid to the State over the next five years. The fiscal impact of the Bill could not be determined due to variables that could not be accurately estimated. A fiscal impact of $45,000 in FY 2003 and $100,000 in FY 2004 was assigned to the Bill for tracking purposes. The Bill passed the House March 27 and was approved by the Senate Ways & Means Committee on April 4.

**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 and the House Ways and Means Committee on April 4.

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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.



**Firefighter Pension Fund** House File 2618 – Firefighter Pension Fund Bill – The Bill creates a volunteer firefighter pension fund and the fund is financed through a diversion of $5.0 million annually from General Fund insurance premium tax receipts. The diversion would first impact FY 2005 General Fund receipts. The Bill was approved by the House Ways & Means Committee on March 21.



**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 have the following fiscal impact on General Fund revenues:

* FY 2004 – $300,000 increase
* FY 2005 - $500,000 increase
* FY 2006 - $27.5 million decrease
* FY 2007 - $59.8 million decrease
* FY 2008 - $54.1 million decrease

The Bill was approved by the Senate on March 27 and the House Ways and Means Committee on April 3.

 $ Internet Sales

**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. The Senate amended and passed the Bill on April 4.

**Electronic Commerce** Senate File 2321 – Electronic Commerce Data Collection, Streamlined Sales Tax, and Digital Personal Property Tax Sunset Repeal Bill – The Bill:

* Requires that the Department of Revenue and Finance conduct a study to collect data on the level of electronic commerce in the State. The cost to the State of conducting the study has not been determined.
* Provides for Iowa’s continued participation in multi-state sales tax simplification discussions.
* Makes the sales and use tax exemption for personal property delivered in a digital form permanent. The exemption, enacted by the 2000 General Assembly, is scheduled to sunset December 31, 2002. Making the exemption permanent will reduce General Fund tax revenues by an estimated $790,000 in FY 2003 and $2.3 million in FY 2004.

Senate File 2321 was debated by the Senate on April 4 and then deferred.

**Mental Health Tax Credit** Senate File 2322 – Small Employer Mental Health Insurance Premium Tax Credit Bill – Senate File 2322 provides a tax credit for small businesses offering health insurance benefits to employees. To qualify for the credit, the insurance must cover treatment for a specified list of mental conditions. The credit is equal to 1.0% of all employer-paid health premiums.

**SF 2322 - Fiscal Impact** It is estimated the Bill would reduce General Fund revenues by $3.6 million in FY 2004 and $7.8 million in FY 2005. The cost of the credit is expected to increase 8.0% per year after FY 2005. The Bill also contains two required studies. The studies are projected to increase FY 2003 and FY 2004 expenditures by $100,000 in FY 2003 and FY 2004.

**Deferred** Senate File 2322 was approved by the Senate Ways and Means Committee on March 27. The Bill was debated and then deferred on the Senate floor March 28.

**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.
* House File 2116 – Internal Revenue Code (IRC) Update Act signed April 4.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Infrastructure Appropriations Bill - HF 2614 Passes House



**HF 2614 - Infrastructure** The House passed the Infrastructure Appropriations Bill which appropriates a total of $232.6 million from the following sources:

* Restricted Capital Fund (Tax-Exempt Bond Proceeds): $159.7 million
* Rebuild Iowa Infrastructure Fund (RIIF): $21.0 million
* State Wagering Tax: $16.8 million
* Environment First Fund: $35.0 million

**Contingent Appropriation** The Bill also makes a contingent appropriation of $3.4 million from the Restricted Capital Fund, which is not included in the above totals.

**Changes by House** The following is a list of significant changes the House made to the Bill:



* Added an appropriation of $3.4 million for continued upgrade of the Iowa Communications Network (ICN) to asynchronous transfer mode (ATM) technology. This appropriation is contingent upon the federal government certifying that the ICN will be used as a defense security test bed.
* Eliminated a $3.4 million appropriation for expansion of the Capitol Complex Parking Structure.
* Added an appropriation of $1.0 million for conversion of Iowa Public Television broadcasts to digital technology.
* Increased the appropriation for commercial service airports from $1.0 million to $1.1 million.
* Increased the appropriation for the General Aviation Hangar Program from $500,000 to $581,000.
* Eliminated a $1.2 million appropriation for construction of a pedestrian bridge across Court Avenue.

**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: David Reynolds (Ext. 16934)

Transportation Appropriations Bill – HF 2612 Passes House



**HF 2612 - Transportation** House File 2612 (Transportation Appropriations Bill) passed the House on April 3 as amended by H 8518 and H 8495. 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 HF 2612 represent a decrease of $4.4 million compared to the Department’s FY 2003 request, and a decrease of $4.3 million compared to the Governor’s FY 2003 recommendations. Highlights of the Transportation Bill are listed below.



**House Changes** Amendment H 8495 transfers the motor vehicle use tax revenues earmarked for Public Transit Assistance from the General Fund to the Department of Transportation (DOT). Under current law, Section 312.2(14), 2001 Code Supplement, credits an amount equal to one-twentieth of eighty percent of the motor vehicle use tax receipts and appropriates an equal amount to Public Transit Assistance. In FY 2003, one-twentieth of eighty percent is estimated to generate $9.8 million. Senate File 2326 (FY 2003 Omnibus Appropriations Bill) reduces the appropriation for Public Transit to $8.7 million. The General Fund retains the $1.1 million of unappropriated receipts. Amendment H 8495 transfers the $9.8 million to the DOT for distribution to public transit systems. This is an increase of $1.1 million compared to the amount of funding provided in SF 2326, Omnibus Appropriations Bill, and a reduction to the General Fund of a like amount.

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

Oversight Government Reform Bill – SF 2325

**SF 2325 – Govt. Reform** Senate File 2325 (FY 2002 Government Reform Bill) passed out of Senate Appropriations on March 27 and was amended and passed the Senate on April 4. The Bill as passed by Senate Appropriations provides for:

**Dept. of Inspections/Appeals** The Bill reorganizes the Department of Inspections and Appeals

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* Transfers responsibility for administration of inspection and licensing of social and charitable gambling from the Inspections Division to the duties of the Director.
* Eliminates a requirement that the rulemaking authority of the Director in the area of targeted small business is subject to review and approval of the Director of the Department of Management.
* Eliminates the Audits Division.
* Eliminates investigation of proposed sales in Iowa of subdivided land situated outside the State, investigation of applications for beer and liquor licenses, and adds audits of various public assistance programs as duties of the Investigations Division.
* Eliminates the responsibility for inspections of educational, correctional, and penal institutions, and adds responsibility for home food establishments, egg handlers, food processing plants, grocery stores, convenience stores, temporary food establishments, and mobile food units, as duties of the Inspections Division.
* Eliminates the sole authority of the Division of Administrative Hearings for various personnel matters concerning administrative law judges.
* Renames the State Citizen Foster Care Review Board to the Child Advocacy Board, increases the size of the Board from seven to nine members, and attaches it administratively to the Department of Inspections and Appeals. Directs the Child Advocacy Board to assume responsibility for the functions of the Court Appointed Special Advocate (CASA) in place of the Judicial Branch.
* Directs the Child Advocacy Board to work with the Court Appointed Special Advocate Program to develop a plan for merging the Program with the Citizen Foster Care Review Process. Directs the Board to review other programs or processes in State government that are intended to address the best interests of a child who is subject to out-of-home placement or other Juvenile Court oversight.

**Dept. of Natural Resources** The Bill reorganizes the Department of Natural Resources



* Eliminates references, in the Code of Iowa, to the seven existing divisions within the Department of Natural Resources (DNR). Provides authority to the Director to establish divisions, bureaus, or other administrative entities as appropriate to efficiently and effectively carry out the Department’s responsibilities, in consultation with the Natural Resource Commission and the Environmental Protection Commission.
* Fiscal Impact: The current structure of the DNR contains seven divisions and 21 bureaus. The Department plans to establish three divisions and 16 bureaus as part of the reorganization. The Department has indicated it will eliminate four division administrators and five bureau chiefs for an estimated savings of $414,000 to the General Fund and $153,000 in other funds.
* Transfers the funds and responsibilities related to oversight and testing of private rural water supply wells, private rural water supply well sealing, and the proper closure of private rural abandoned wells and cisterns from the DNR to the Department of Public Health.
* Fiscal Impact - It is estimated that $1.3 million from the Ground Water Protection Fund would transfer to the Department of Public Health and $111,000 would be kept by DNR for administrative expenses.

**Oversight Committee** Legislative Oversight Committee

* Provides statutory language creating the Legislative Oversight Committee as a permanent committee of the Legislative Council.

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* Specifies that the charge of the Oversight Committee is to systematically review the programs, agencies, and functions of the Executive and Judicial Branches to ensure that public resources are used in the most efficient manner. Requires agencies selected for review by the Committee to provide information as requested to the Committee.

**Birth Centers** Regulation of Birth Centers – The Bill changes the accreditation authority for licensed birth centers from the Maternity Center Association to the Commission for the Accreditation of Birth Centers or its successor. The Bill prohibits the Department of Inspections and Appeals from requiring that Birth Center clients be examined or assessed by a specific health professional, and removes a requirement for a client to have at least two prenatal visits.

**Changes by Senate** The Bill as amended and passed by the Senate includes the following major changes:

* Specifies that the Department of Inspections and Appeals has sole authority for hearings for various personnel matters concerning administrative law judges.
* Requires the Environmental Protection Commission to adopt rules permitting cities to conduct controlled burns of demolished buildings, specifies certain restrictions, and prohibits controlled burning is specified cities.
* Requires the DNR, in cooperation with the Department of Economic Development, to establish a Demolition Site Waste Task Force to study the issues related to the disposal of waste material from demolished buildings.
* Repeals Chapter 135G, Code of Iowa, related to licensure and regulation of Birth Centers, and makes conforming changes in other sections of the Code of Iowa.

**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: Douglas Wulf (Ext. 13250)

final action on the Block Grant and Federal Funds Appropriations Bill - HF 2582 Passes Senate



**HF 2582- Block Grant Bill** On March 28, the Senate 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.

**NOBA**

**More Information** The Bill has been sent to the Governor for consideration.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: Lisa Burk (Ext. 16765) Russ Trimble (Ext. 14613)

Governor Signs School Aid Appropriations Bill

**SF 2315 – School Aid** On March 28, the Governor signed SF 2315 (School Aid Appropriations Bill). The Bill as passed by the General Assembly and signed by the Governor provides the following:



Governor

Signed

* 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).

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* 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.
* 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)

Senior Living Trust Fund and Hospital Trust Fund Appropriations Bill – hf 2613 passes the house

**HF 2613 – Senior Living** On April 3, the House amended and passed HF 2613, the Senior Living Trust Fund and Hospital Trust Fund Appropriations Bill.



**Appropriations** The Bill appropriates a total of $58.2 million and 13.0 FTE positions from the Senior Living Trust Fund to the Department of Elder Affairs and the Department of Human Services (DHS) for FY 2003. This is a decrease of $32.6 million and no change in FTE positions compared to the FY 2002 estimated net appropriations. In addition, the Bill appropriates a total of $12.0 million from the Hospital Trust Fund to the DHS, which is a new appropriation for FY 2003. Highlights include:

* Appropriates $6.6 million and 8.0 FTE positions from the Senior Living Trust Fund to the Department of Elder Affairs for the Senior Living Program for FY 2003, an increase of $1.2 million and no change in FTE positions compared to the FY 2002 estimated net appropriation.



* Appropriates a total of $51.7 million and 5.0 FTE positions from the Senior Living Trust Fund to the DHS, a decrease of $33.8 million and no change in FTE positions compared to the FY 2002 estimated net appropriation. The appropriations are as follows:
* Appropriates $21.7 million and 5.0 FTE positions to supplement the Medical Assistance Program appropriation for the Elderly Home and Community-Based Waiver and the State Supplementary Assistance Program. This is a decrease of $19.0 million and no change in FTE positions compared to the FY 2002 estimated net appropriation.
* Appropriates $30.0 million for nursing facility provider reimbursements based on a case-mix reimbursement methodology, an increase of $5.2 million compared to the FY 2002 estimated net appropriation.
* Appropriates a total of $12.0 million from the Hospital Trust Fund to the DHS to supplement the Medical Assistance Program appropriation for FY 2003. This is a new appropriation for FY 2003.

**NOBA**

**Bill Summary** The Notes on Bills and Amendments (NOBA) for HF 2613 can be found on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/noba/scripts/noba.dll/s>

STAFF CONTACT: Lisa Burk (Ext. 16765) Sam Leto (Ext. 16764)

Healthy Iowans Tobacco Trust – HF 2615 Passes House



**HF 2615 – Healthy Iowans** House File 2615 was approved by the House Appropriations Committee on April 1 and by the House on April 3. The Bill appropriates $65.2 million and 71.0 FTE positions from the Healthy Iowans Tobacco Trust for various health-related appropriations. This is an increase of $4.9 million and a decrease of 4.5 FTE positions compared to the estimated net FY 2002 appropriation. This includes:

* Appropriates a total of $44.9 million from the Healthy Iowans Tobacco Trust to the Department of Human Services (DHS). This is an increase of $12.1 million compared to the estimated net FY 2002 appropriation. This includes $25.3 million for the same appropriation as in FY 2002 for the Medicaid-related appropriations to continue the rate increases provided in previous years. This also includes:
* $17.5 million to the DHS to increase Medicaid. This is an increase of $10.0 million compared to the estimated net FY 2002 appropriation.
* $2.1 million to the DHS for the Health Insurance Portability and Accountability Act (HIPPA). This is a new appropriation for FY 2003.



* Appropriates $18.6 million and 71.0 FTE positions to the Department of Public Health (DPH). This is a decrease of $7.2 million and 4.5 FTE positions compared to the estimated FY 2002 appropriation. The appropriations are as follows:
* $5.0 million and 7.0 FTE positions for Tobacco Use Prevention and Control Initiatives. This is a decrease of $4.3 million and 4.5 FTE positions compared to the estimated net FY 2002 appropriation.
* $10.0 million for Substance Abuse Treatment. This is a decrease of $1.8 million compared to the estimated net FY 2002 appropriation.
* $2.4 million and 4.0 FTE positions for the Healthy Iowans 2010 Plan. This is a decrease of $160,000 and no change in FTE positions compared to the estimated net FY 2002 appropriation.
* $1.1 million and 60.0 FTE positions for a Substance Abuse Treatment Facility. This is a decrease of $900,000 and no change in FTE positions compared to the estimated net FY 2002 appropriation.
* $75,000 for smoking cessation products. This maintains the current level of funding.
* Appropriates $610,000 for four Judicial District Departments of Correctional Services day programming and drug courts. This maintains the current level of funding.
* Appropriates $1.2 million for School Ready Grants for Iowa Empowerment. This maintains the current level of funding.

**Statutory Changes** The Bill:

* Requires that $9.0 million of the $75.0 million of the FY 2003 appropriation from wagering taxes to the Endowment for Iowa’s Health Account of the Tobacco Settlement Fund be transferred to the Healthy Iowans Tobacco Trust.

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* Eliminates the $27.0 million FY 2003 appropriation from the General fund to the Endowment for Iowa’s Health Account of the Tobacco Settlement Trust Fund.

**More Information** Additional information is available upon request from the LFB. The Notes on Bills and Amendments (NOBA) for House File 2615 is on the LFB web site at [www.staffweb.legis.state.ia.us/lfb/noba](http://www.staffweb.legis.state.ia.us/lfb/noba).

STAFF CONTACT: Sue Lerdal (Ext. 17794) Russ Trimble (Ext. 14613)

FY 2004 School Aid Allowable Growth Bill - SF 2328 Passes Senate

**SF 2328 – Allowable Growth** Senate File 2328 (FY 2004 School Aid Allowable Growth Bill) passed the Senate on April 3. Senate File 2328 sets the FY 2004 allowable growth rate at 2.0%, which will result in an increase of $91 to each school district’s cost per pupil. The FY 2004 State cost per pupil will be $4,648.

**Fiscal Impact** The estimated fiscal impact in FY 2004 of SF 2328 is:

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* State aid totaling $1,836.3 million, an increase of $52.2 million (2.9%) compared to the estimated FY 2003 amount.
* Foundation Property Tax totaling $1,011.1 million, an increase of $11.9 million (1.2%) compared to the estimated FY 2003 amount.
* Budget guarantee totaling $26.9 million (this amount is included in the total Foundation Property Tax amount) with 219 school districts eligible to receive this funding.

**More Information** School district estimates are available on the LFB’s web site at: <http://staffweb.legis.state.ia.us/lfb/subcom/ed_standing/Spreadsheets.htm>.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

LIMITED ENGLISH PROFICIENT STUDENT WEIGHTING - HF 2404 PASSES the senate

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**HF 2404** The Senate passed HF 2404 (Limited English Proficient Student Weighting Bill). The Bill increases the weighting for students identified as limited English proficient from 0.19 to 0.22. This weighting increase would be applied to enrollments starting in September 2002 and would have an impact on school district budgets in FY 2004. The estimated impact of this Bill is an increase in State aid of $1.2 million and a statewide increase in local property taxes of approximately $200,000 in FY 2004. The Bill was previously passed by the House and will now be sent to the Governor.

**More Information** For further information contact the Legislative Fiscal Bureau.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

Restraining Orders for Sexual Abuse - HF 2495 Passes the Senate

**HF 2495 – Restraining Orders** The Senate passed HF 2495, which provides for the issuance of no-contact orders to protect victims of first-, second-, and third-degree sexual abuse, their immediate family members, and others who may reside with the victim. The no-contact order is available at the time of the arrest of the person accused of sexually abusing the victim. People who violate no-contact orders are subject to summary contempt proceedings.

**Correctional Impact** The Bill is anticipated to increase jail admissions by six offenders during FY 2003, and by nine each year thereafter. Admissions may increase in future years as inmates covered under the Bill are released, and have no-contact orders issued against them, which they subsequently violate. Each person admitted to the county jail will serve 32 days.

**Fiscal Impact** Total State criminal justice system costs, including indigent defense and the Judicial Branch, are expected to be minimal. Counties will incur additional costs for jail operations; however, the costs are expected to be minimal.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

No Contact Orders - HF 2506 Passes the Senate

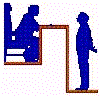
**HF 2506– No Contact Orders** The Senate passed HF 2506, which provides for no-contact orders to be issued to protect victims of convicted sex offenders upon their release from prison or jail. The Bill provides that upon a filing of an affidavit by a victim, that upon the release of the offender’s release from prison or jail, the presence of or contact with the offender continues to pose a threat to the victim or the victim’s family, the court shall enter a temporary no-contact order. People who violate no-contact orders are subject to summary contempt proceedings.

**Correctional Impact** The Bill is anticipated to increase jail admissions by two during FY 2003, and by four each year thereafter. Admissions may increase in future years as inmates covered under the Bill are released, and have no-contact orders issued against them, which they subsequently violate. Each person admitted to the county jail will serve 32 days.

**Fiscal Impact** Total State criminal justice system costs, including costs for indigent defense and the Judicial Branch, are expected to be minimal. Counties are expected to incur additional costs for county jail operations. However, the costs are expected to be minimal.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Representation of Indigent Parolees - SF 2301 Passes the Senate



**SF 2301 – Indigent Parolees** The Senate concurred in the House amendment to SF 2301, which 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)

Probate Omnibus, House File 2539, Passes the Senate as Amended and the House Concurs

**HF 2539 – Probate Omnibus** House File 2539 passed the Senate as amended and was concurred by the House. The Bill adds language to the Code of Iowa, to add the definition of estates to include retained life estates. The Estate Recovery is estimated to be approximately $160,000, with the State share of that being $59,000 per year to the General Fund. The average value of a retained life estate is $13,000 per month.

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STAFF CONTACT: Jennifer Dean (Ext. 17846)

Woman’s Right to Know Bill - HF 2264 Final Action

**HF 2264 – Right to Know** The Senate passed HF 2264, the Woman’s Right to Know Bill, on March 25. On March 28, the Bill was sent to the Governor for consideration. 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 HF 2264. Copies of the Fiscal Note can be obtained by visiting the Fiscal Bureau web site at <http://staffweb.legis.state.ia.us/lfb/>.

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**Governor’s Directive** On March 19, Governor Vilsack issued a directive to the Department of Public Health calling for the Department to facilitate the design of an appropriate and effective information delivery system that makes information regarding abortion, adoption, family planning, and pre-natal and post-natal care easily accessible to all Iowans. The Governor asked the Department to prepare a plan for the development of a comprehensive system that increases Iowans’ access to information on pre-natal and neo-natal health care, family planning, adoption, abortion, and all family support services that are accessible at every stage of pregnancy and family development. In the directive, Governor Vilsack encouraged the Department to develop the plan in consultation with the Iowa Department of Human Services, the Iowa Department of Inspections and Appeals, and any other agencies or groups deemed appropriate. The plan, which is due to the Governor by June 1, 2002, is to include the following topics:

1. Appropriate methods for developing and/or gathering information for dissemination;
2. Appropriate methods for developing organizational listings that identify all entities in this State that provide family planning services, adoption, abortion, and all relevant counseling support services;
3. Methods to identify physicians, providers, and counselors in appropriate practice areas, and communicate with each about information that is available for public education; and
4. Methods for developing and maintaining an effective information delivery system that provides Iowans with access to a broad range of information, but does not restrict people’s access to quality medical services and does not criminalize women or medical professionals.



VETO

**Veto** On March 29, the Governor vetoed House File 2264 stating, “I believe my directive will make available more medically-accurate and comprehensive information than House File 2264 would have required without criminalizing the actions of doctors”.

STAFF CONTACT: Russ Trimble (Ext. 14613)

Tobacco Settlement Enforcement - SF 2317 Passes the Senate

**SF 2317 – Tobacco**  The Senate passed SF 2317, which relates to enforcement of the provisions of the Master Settlement Agreement for Tobacco. The Bill requires distributors, in order to conduct business in Iowa, to meet either of the following conditions:

* The tobacco manufacturer is a participating manufacturer under the Master Settlement Agreement.
* The tobacco manufacturer has provided the distributor with current certification that the manufacturer and all predecessor manufacturers are in full compliance with the escrow requirements of the Master Settlement Agreement.

**Distributors** Distributors who violate the provisions of the Bill are subject to monetary penalties.

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**Certification Requirement** The Bill requires tobacco manufacturers to certify quarterly that they are either a participating manufacturer, or are in full compliance with the escrow requirement of the Master Settlement Agreement. Tobacco manufacturers are required to maintain both a registered office and a registered agent in the State.

**FY 2002 Supplemental**  The Bill makes a FY 2002 supplemental appropriation of $945,000 to the Treasurer of State for payment of litigation fees incurred pursuant to the Master Settlement Agreement. The appropriation is made from the tax-exempt bond proceeds of the Restricted Capital Fund.

**Litigation Payments** The General Assembly appropriated $10.6 million for litigation payments in FY 2002 from the Restricted Capital Fund in HF 755 (FY 2002 Standing Appropriations Act). Litigation payments are based on estimated quarterly Master Settlement Agreement receipts, which have decreased slightly from the original estimate.

**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: Beth Lenstra (Ext. 16301) David Reynolds (Ext. 16934)

Acts of Criminal Mischief – sf 2098 Signed by the Governor

**Governor Signs SF 2098** The Governor signed SF 2098 on April 1, which amends the definition of “criminal mischief” to include all classes of property. The Act 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.



Governor

Signed

**Correctional Impact** 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 occur under Section 716.6B, Code of Iowa.

**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 sentence.
* 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 sentence.
* One simple misdemeanor 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)

Operating While Intoxicated Third Offenses - HF 2230 Signed by The Governor

**HF 2230 - OWI** The Governor signed HF 2230 on March 29, 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 Act 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 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, $3.4 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 $6.7 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 Act 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 in FY 2003. The State 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.

**Impact on CBC Facilities** 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 that admissions to CBC probation supervision will increase by 20 during FY 2003. Future admissions will increase by 41 offenders each year thereafter.

**Impact on Federal Funds** House File 2230 brings Iowa into compliance with federal law so that approximately $6.7 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 residential treatment program are estimated to increase by $22,000 during FY 2003 and by $46,000 in FY 2004. These costs do not include 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.

**Impact on Local Govt.** 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)

District Associate Judge Jurisdiction - SF 415, concurred by Senate and sent to Governor

**SF 415–Judge Jurisdiction** Senate File 415 was concurred by the Senate and sent to the Governor. Prior to the passage of this Bill, current law provided that district associate judges had jurisdiction over indictable misdemeanors and OWI felony offenses. Senate File 415 expands the jurisdiction of District Associate Judges to include Class D felonies and felony arraignments.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

DNA Profiling - HF 2201 Signed By The Governor

**HF 2201- DNA Profiling** The Governor signed House File 2201, DNA Profiling, on April 1.

**Provisions** The Act states the Court shall order DNA profiling of people convicted of an aggravated misdemeanor or a felony. The Court may also order DNA from anyone that the Court determines appropriate. In determining the appropriateness of DNA profiling, the Court shall consider the deterrent effect of DNA profiling, the likelihood of repeated offenses by the individual, and the seriousness of the crime.

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**Parole Board** The Parole Board is also required to order a DNA sample as a condition of parole or work release unless a sample has been previously provided.

**Contingent Effective Date** The Act contains a contingent effective date stating that the Act will take effect on either July 1, 2002, or on the date when sufficient funds have been appropriated or are first received. The Commissioner of Public Safety is to notify the Code Editor when sufficient funds have been appropriated or received. Until the effective date of this Act, the Department of Public Safety, the Department of Corrections, and the counties will continue to operate under current law and collect DNA samples for the crimes listed under Section 13,10, Code of Iowa.



**Fiscal Impact** It is estimated that in the first and second year of implementation, there would be 10,100 additional DNA samples collected, compared to the DNA samples collected under current provisions. In the fifth year, there would be approximately 8,000 DNA samples collected. The estimated

costs for FY 2003 are $813,000, the costs for FY 2004 are $663,000, and the costs for FY 2005 are $581,000.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Iowa State University Energy Center – HF 2587

**HF 2587 – ISU Energy Ctr.** The Senate gave final approval to HF 2587 (ISU Energy Center) on April 1. Significant provisions of the Bill include:



* Changes to the Code of Iowa –
* Allows the limit on expenditures for salaries and benefits of the Iowa Energy Center to be adjusted annually by the same percentage as the percentage increase approved by the Board of Regents for professional and scientific staff at Iowa State University.
* Eliminates Section 266.39C(6), Code of Iowa. This Section relates to a study and report on rural rail feasibility that was completed by the Center in 1992.
* Requires up to 50.0% of the interest earned on the Alternate Energy Revolving Loan Fund to be used for promotion and administration of the Fund.
* Fiscal Impact - Approximately $409,000 of interest was earned on the Fund during FY 2001. The Fund balance on June 30, 2001, was $6.0 million. If this Bill is enacted, up to 50.0% of the earnings, or approximately $205,000, could be used for promotion and administration of the Fund.

**Next Action** The Bill now goes to the House.

**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: Mary Shipman (Ext. 14617)

Iowa State University Ankeny Dairy Farm Sale – SF 2316 Passes Senate





**SF 2316 – ISU Dairy Farm** The Senate passed SF 2316 on March 26. The Bill encourages the sale of the Ankeny Dairy Research Farm by Iowa State University. Significant provisions of the Bill include:

* Requires Iowa State University (ISU) to develop a plan to sell a 1,100-acre tract of land owned by the University within the Ankeny city limits. The land parcel is commonly referred to as the ISU Dairy Breeding Research Farm. The sale of all or portions of the land parcel are to occur as soon as possible following enactment of this Bill. The University is to submit the plan for sale of the parcel to the Board of Regents for approval.
* Allows ISU to retain the proceeds of this sale and utilize the proceeds to establish a new dairy research and teaching facility. Any remaining proceeds are to be invested in the ISU Plant Sciences Institute.
* Fiscal Impact - Since the land has not yet been appraised, the estimated proceeds from the sale are not known.

**Next Action** The Bill is effective upon enactment. The Bill now goes to the House Appropriations Committee.

**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: Mary Shipman (Ext. 14617)

University of Iowa Hospital Revenue Bond Authority – SF 2168 Passes Senate



**SF 2168-SUI Bond Authority** The Senate passed SF 2168 on March 19. The Bill authorizes the Board of Regents to issue bonds of up to $100.0 million to upgrade facilities at the Hospital. The Bill also gives the Board the authority to issue the bonds at times and in amounts determined by the Board.

**Funding Plan** The University Hospital intends to use the bonds to fund a portion of an overall renovation plan totaling $725.0 million that will include an advanced cancer clinic. There is no fiscal impact to the State General Fund. The University would repay the bonds with patient revenues.

**Next Action** The Bill now goes to the House Appropriations Committee.

**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: Mary Shipman (Ext. 14617)

SF 2323 – Registered Nurse Recruitment Program

**SF 2323- Nurse Recruitment** Senate File 2323 (Registered Nurse Recruitment Program) passed the Senate on April 1 and was approved by the House Appropriations Committee on April 3. The Bill establishes a Registered Nurse Recruitment Program to be administered by the College Student Aid Commission.

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**New Program** The Program consists of the following:

* A forgivable loan program for Iowa residents enrolled at a school of nursing. Requires recipients to work in Iowa for a period of time to be determined by the Commission to receive loan forgiveness.
* A tuition scholarship program. Recipients that receive a tuition scholarship are not eligible for the forgivable loan program. Recipients agree to practice nursing in Iowa upon graduation for a period of time to be determined by the Commission.
* A registered nurse repayment program. Provides recipients with a lump sum to apply to loan repayment. The repayment is to be matched by funds from the local community. Recipients agree to practice in Iowa and the contract between the community and the recipient must stipulate the period of time the recipient must practice in the community.

**Revolving Fund Created** The Bill also creates a Registered Nurse Recruitment Revolving Fund in the State treasury under the control of the Commission. The Fund is to be used for deposit of loan repayments and the proceeds from the sale of loans. Moneys deposited in the Fund are to be used to assist additional recipients in the Program.

**Funding** Funding for the Program is subject to appropriation by the General Assembly. No funding is appropriated in the Bill.

**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: Mary Shipman (Ext. 14617)

Terrorism - SF 2146 Passes the House

**SF 2146 – Terrorism Defn.** The House passed SF 2146 as amended by the Senate, which defines “terrorism” and creates new offenses in relation to terrorism. The Bill 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 Class 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 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”.

**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.



**Correctional 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. There is no significant correctional or fiscal impact of the proposed Super Class B felony offense, assuming terrorism continues to be a rare event in Iowa.

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)

College Student Aid Commission Meeting



**Commission Meeting** The College Student Aid Commission met on March 25 at the Commission office in Des Moines. Significant agenda items included:

* Guarantee Fee Waiver – The Commission approved a proposal to waive the guarantee fee charge to student and parent borrowers for the 2002-2003 academic year. The Commission approved the waiver based on a recommendation by financial consultant KPMG Peat Marwick, LLP, regarding the strength of the Commission’s Federal Student Loan Reserve Fund. The proposal will result in reduced fee revenue of $2.9 million for FY 2003.
* Collection Agreement with the Department of Revenue and Finance – The Commission approved a 28E Agreement with the Department for the collection of defaulted student loans.
* SallieMae Service Contract – The Commission authorized staff to accept a two-year contract extension with SallieMae, pending favorable negotiations for a reduced per unit rate.
* iLink Service Center Budget – The Commission approved the budget for FY 2003. The iLink Service Center is nearing completion of the first full year of operation. The Center was created through a 28E Agreement with the Iowa Student Loan Liquidity Corporation. The Commission’s share of the Center’s budget for FY 2003 is $253,000.
* Reviewed the annual *Student and Faculty Ethnic Diversity Report*.

**Next Meeting** The next meeting of the Commission is scheduled for May 9, 2002, in Davenport.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Road Use Tax Fund Revenue Update



**Revenue Update** At the February 12 Department of Transportation (DOT) Commission meeting, representatives from the DOT presented an update on Road Use Tax Fund revenues. From July 2001 through January 2002, the major components of the Road Use Tax Fund came in ahead of forecast:

* Motor Vehicle Fuel Tax – $12.3 million (5.2%) above forecast. December’s vehicle miles of travel were 16.0% higher than last year.
* Motor Vehicle Use Tax – $21.3 million (17.0%) above forecast. The DOT expects use tax to recede in the next few months, which will offset the current increased use tax allocations.
* Motor Vehicle Registration Fees – $12.6 million (7.5%) above forecast.

**Increases** Contributing factors to the above increases include car-dealer incentive programs in recent months and an increase in vehicle miles of travel due to a mild winter. The DOT cautioned at the February meeting, however, that it was unknown whether or not allocations would remain at the current pace through the rest of the fiscal year. At the time, the Department predicted that Primary Road Fund revenues would be $23.7 million ahead of forecast at the end of the fiscal year. Currently, that number has decreased to $18.9 million above forecast.

**Budget Increased** Due to the predicted increase in revenues, the budget for highway projects was increased $15.0 million. The adjustment will offset additional costs incurred due to certain projects and schedules that have been updated.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Highway Construction Contracts



**Highway Contracts** The Department of Transportation (DOT) notifies the Legislative Fiscal Bureau of all highway construction contracts in excess of $5.0 million for informational purposes. Contracts totaling approximately $38.5 million were awarded in February for the following projects:

**Grundy County** Grundy County

* $6.6 million to Irving F. Jensen Co., Inc., of Sioux City. The project includes adding 6 miles of new pavement along U.S. 20, from the Hardin County Line, east to the junction with H Avenue.
* $6.1 million to Fred Carlson Co., Inc., of Decorah. The project includes adding 6 miles of pavement along U.S. 20, from the junction with H Avenue, east to Iowa 14.

**Jones County** Jones County **-** $11.4 million to Fred Carlson Co., Inc., of Decorah. The project includes grading and replacing 6 miles of pavement along U.S. 151, from just north of D65 to the south city limits of Cascade.

**Polk County** Polk County

* $14.1 million to Des Moines Asphalt & Paving Co. The project includes widening 3.5 miles of pavement along I-35, from the east I-35/I-80/I-235 junction to the E. First Street interchange in Ankeny (Iowa 931).
* $410,000 to Des Moines Asphalt & Paving Co. The project includes replacing twin-box culverts at six different locations from the I-80/I-35 interchange, north to Iowa 931.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Medical Assistance Program Projection Update FY 2002

**Monthly Meeting** Staff from the Department of Human Services, Department of Management, and Legislative Fiscal Bureau met March 25 to review the Medical Assistance Program (Medicaid) financial and statistical information through February 2002. This meeting was the monthly meeting agreed to by the Directors of the three entities as a process for monitoring the Medical Assistance Program budget for FY 2002, as well as the estimates for FY 2003.



**FY 2002 Projection** Based on the analysis at the March meeting from eight months of data, the projection continues to be consistent with the available total funding of $1.6 billion for FY 2002 in the Medical Assistance Program. These funds include federal funds, State General Fund, Senior Living Trust Funds, Mental Health Property Tax Relief Funds, and tobacco funds appropriated for the Program.

**FY 2003 Projections** For FY 2003, the analysis indicates the range of $93.0 million to $114.0 million compared to the estimated net FY 2002 appropriation (increase over the original FY 2002 Medical Assistance Program appropriation less the 4.3% across-the-board reduction) has not changed based upon the most recent data. There are proposed adjustments to the Medical Assistance Program for FY 2003 included in the Governor’s revised FY 2003 budget recommendation being considered by the General Assembly, which could reduce the projected need in FY 2003. Final decisions have not been made at this time. The three entities will continue to analyze and communicate the FY 2002 and FY 2003 Medicaid projections.

**More Information** If you have questions, please contact the Legislative Fiscal Bureau.

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

Board of Corrections Meeting



**Board Meeting** The Board of Corrections met at the Department of Corrections (DOC) Central Office April 5. Director Kautzky stated the prison population was over 8,000 inmates, while the proposed budget for FY 2003 was approximately $11.2 million less than the original appropriation for FY 2002, and $10.2 million less than the actual amount spent in FY 2001. The DOC has 300 fewer staff than originally authorized for FY 2002; of these positions, 165 are correctional officers. Senate File 2326 (Omnibus Appropriations Bill) includes $2.8 million to open 120 beds of the 200-bed Special Needs Unit. This is $1.1 million and 80 beds less than the Governor’s recommendation. Director Kautzky said the State is risking federal receivership to save $1.1 million. Director Kautzky stated that the State is in the top five nationwide for prison growth, and current length of stay data from the Criminal and Juvenile Justice Planning Division indicates that we are “over-using the State prison system for low-risk offenders”.

**Emergency Rules** Assistant Director Michael Savala presented emergency rules for inmate visitation. Currently, the DOC’s administrative rules include a separate chapter for each Institution’s visitation policies. The proposed emergency rule change condenses all the Institutions’ visitation policies into one Chapter and provides consistency across the Institutions. According to Mr. Savala, this action is a cost containment effort to reduce overtime costs at the Institutions. The Board approved the proposed change.

**Auto Body Voc Ed Program** Deputy Director Roger Baysden presented information regarding the Auto Body Vocational Education program at the Anamosa State Penitentiary. The Department of General Services was purchasing vehicles that had been re-built by inmates. However, due to budget reductions, the Department of General Services will no longer be purchasing the re-built automobiles. Deputy Director Baysden is projecting a net operating loss of approximately $120,000 during FY 2002 on the auto body program. Sunline Inc., currently provides Iowa Prison Industries with damaged vehicles for resale to the Department of General Services. Deputy Director Baysden requested that the Board approve the following plan:

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* Sunline, Inc., is proposing a partnership with Iowa Prison Industries where Sunline, Inc., retains ownership of all vehicles, and Iowa Prison Industries will train inmates in vehicle repair.
* Sunline, Inc., will provide Iowa Prison Industries with automobiles on consignment, along with all necessary parts to re-build the cars.
* Iowa Prison Industries will set the price for the repairs based on level of damage.
* Sunline, Inc., will pay Iowa Prison Industries for repairing the vehicles.
* Sunline, Inc., will sell the vehicles on the open market.

**Board Approval** Deputy Director Baysden stated this proposal would permit the auto body program to break even in FY 2003 if 50 vehicles are repaired. The DOC wants to continue the program as it provides meaningful work to inmates and also provides approximately 10.0% of the work opportunities for inmates at the Anamosa State Penitentiary. The Board approved the proposal.

**Crime Victim Rights Week** Director Kautzky informed the Board that April 21 - 27 is National Crime Victim Rights Week. A Victim Impact Panel will be held on April 25 at 11:00 a.m. at the Commission for the Blind Assembly Room, 4th and Watson Powell Jr. Way, Des Moines. Crime victims will share stories of how criminal behavior has impacted their lives. The meeting is open to the public.

**Next Meeting** The Board will hold its next meeting at the Newton Correctional Facility on May 3.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

LOTTERY REVENUES AND EXPENDITURES THROUGH FEBRUARY



**February Rev./Exp.** Through February, FY 2002 Lottery game revenues increased $8.3 million from the FY 2001 level. Lottery prize expenses increased $3.6 million, operating expenses increased $1.1 million, and transfers to State funds increased $3.4 million. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.



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



* Instant ticket sales decreased $2.8 million (5.3%).
* Pick 3 sales increased $500,000 (20.0%).
* Multi-State Powerball sales increased $10.4 million (31.5%).
* Rolldown sales decreased $479,000 (32.3%).
* Freeplay Replay sales decreased $254,000 (51.2%).
* Cash 4 Life sales decreased $481,000 (100.0%).
* Daily Game sales increased $68,000 (2.5%).
* Pull-tab sales increased $154,000 (0.9%).

**Ticket Sales** Total Lottery sales through February were $118.7 million, an increase of $8.3 million (7.5%) compared to February 2001. July through February 2002 sales for the Pull-Tabs, Daily Game, Powerball, and Pick 3 were above sales for the same period during FY 2001. Included in the sales amount is the receipt of $1.2 million due to the demutualization of Principal Mutual Insurance Company.

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**Estimated Transfers** The February Revenue Estimating Conference (REC) projected FY 2002 Lottery profit transfers to the General Fund would 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 February, FY 2002 transfers to the General Fund are $3.3 million (15.0%) above FY 2001.

**Sales Tax** In addition to the amount transferred to the State as profits, the Lottery has transferred $5.8 million in sales tax during FY 2002.

STAFF CONTACT: Ron Robinson (Ext. 16256)

Medical Assistance Advisory Council Meeting

**Council Meeting** The Medical Assistance Advisory Council met on April 3. The discussion included:

* Presentation on eligibles and expenditures in the Medical Assistance Program through February 2002. The number of eligibles was 248,600, and the expenditures were $146.8 million for February.



* Presentation on a rule change relating to reimbursement for rehabilitation agencies to be consistent with the Medicare reimbursement policy.
* Presentation of a spreadsheet prepared by the DHS on Medical Assistance Program funding for FY 1997 through FY 2001.
* Report by Chair and Subcommittee on meeting with the DHS Council on Human Services regarding improvement of communications and input on the future DHS budget development process for Medical Assistance Program.
* Motion passed to accept Subcommittee recommendations to establish a rainy day fund for the Medical Assistance Program and to increase the tobacco tax to help meet the fiscal needs of the Medical Assistance Program.

**Next Meeting** The next meeting date is June 5.

STAFF CONTACT: Sam Leto (Ext. 16764)

FY 2002 Medicaid Assistance Expenditure Update



**Medical Asst. Program** For the week ending April 1, 2002, the FY 2002 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $7.0 million. This is $2.5 million above the weekly budget of $4.5 million established by the Department. Year-to-date General Fund expenditures are $335.5 million (8.4%), $26.1 million over the $309.4 million budgeted year-to-date by the Department for the fiscal year.

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

STAFF CONTACT: Sam Leto (Ext. 16764)

School Budget Review Committee Approves Modified Allowable Growth for FY 2003 Dropout Program



**School Budget Review Com.** The School Budget Review Committee (SBRC) approved FY 2003 modified allowable growth for the Dropout and Dropout Prevention Program in the amount of $52.1 million for 237 school districts (amounts have not been finalized by the Department of Education and are subject to change). This is an increase of approximately $8.0 million (18.0%) compared to the estimated FY 2002 amount. The total represents a statewide amount, and the actual amounts will vary between districts. The Program is funded through school foundation property taxes and is part of the additional levy.

**More Information** School district amounts are available upon request from the Legislative Fiscal Bureau.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

***The following articles are summaries of the appropriations subcommittee bills as passed by the approprations subcommittees the last week of March. More information on these bills or a copy of the annotated bill analysis is available from the Fiscal Bureau.***

ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE APPROVEs LSB 6015JA (ADMINISTRATION AND REGULATION APPROPRIATIONS BILL)

**Admin. Regulation** The Administration and Regulation Appropriations Subcommittee met on March 26 and approved the proposed FY 2003 appropriations for agencies in the Subcommittee.



**Appropriations** LSB 6015JA appropriates a total of $103.1 million and 1,969.7 FTE positions, which includes $80.0 million from the General Fund and $23.1 million from other funds. (Contingent appropriations totaling $60,000 from the General Fund, $135,000 from other funds, and 3.0 FTE positions are included).

**Auditor of State** The Bill appropriates a total of $1.1 million from the General Fund and 105.5 FTE positions to the Auditor of State, a decrease of $82,000 and no change in FTE positions compared to the FY 2002 estimated net appropriation due to a general reduction.

**Dept. of Commerce** The Bill appropriates a total of $19.7 million from the General Fund and 307.5 FTE positions to the Department of Commerce, a decrease of $944,000 and 12.5 FTE positions compared to the FY 2002 estimated net appropriation.

**Dept. of General Services** The Bill appropriates a total of $8.4 million from the General Fund and 222.9 FTE positions to the Department of General Services, a decrease of $839,000 and an increase of 2.3 FTE positions compared to the FY 2002 estimated net appropriation. The Bill also appropriates $3.3 million from other funds, an increase of $150,000 compared to the FY 2002 estimated net appropriation.

**Office of the Governor** The Bill appropriates a total of $1.8 million from the General Fund and 25.3 FTE positions to the Office of the Governor and Lieutenant Governor, a decrease of $177,000 and 1.00 FTE position compared to the FY 2002 estimated net appropriation due to a general reduction.

**Inspections & Appeals** The Bill appropriates a total of $11.2 million from the General Fund and 339.8 FTE positions to the Department of Inspections and Appeals, an increase of $869,000 and 24.0 FTE positions compared to the FY 2002 estimated net appropriation. The Bill also appropriates $1.2 million from other funds. The Bill increases the appropriation for the Court Appointed Special Advocate (CASA) by $960,000 and 24.0 FTE positions.

**Dept. of Management** The Bill appropriates a total of $2.2 million from the General Fund and 34.0 FTE positions to the Department of Management, a decrease of $95,000 and an increase of 1.0 FTE position compared to the FY 2002 estimated net appropriation due to a general reduction. The total includes a contingent appropriation of $60,000 from the General Fund and 1.0 FTE position for staff support for the Enterprise Resource Planning System if it is funded.

**Dept. of Personnel** The Bill appropriates a total of $3.8 million from the General Fund and 174.0 FTE positions to the Department of Personnel, a decrease of $263,000 and no change in FTE positions compared to the FY 2002 estimated net appropriation. The Bill also appropriates $8.8 million from other funds to the Department, a decrease of $77,000 compared to the FY 2002 estimated net appropriation. The total includes two contingent appropriations totaling $135,000 from the Iowa Public Employees Retirement Fund for two studies.



**Dept. of Revenue & Finance** The Bill appropriates a total of $25.4 million from the General Fund and 560.0 FTE positions to the Department of Revenue and Finance, a decrease of $1.6 million and 1.0 FTE position compared to the FY 2002 estimated net appropriation due to a general reduction. The Bill also appropriates $9.8 million from other funds to the Department.

**Secretary of State’s Office** The Bill appropriates a total of $2.1 million from the General Fund and 42.0 FTE positions to the Secretary of State’s Office, a decrease of $159,000 and no change in FTE positions compared to the FY 2002 estimated net appropriation due to a general reduction.

**Information Tech. Dept.** The Bill appropriates $3.0 million and 125.0 FTE positions to the Information Technology Department, a decrease of $194,000 and no change in FTE positions compared to the FY 2002 estimated net appropriation due to a general reduction.

**Legislative Intent** The Bill expresses the following Legislative intent:

* Requires the transfer of the duties of the State Commissioner of Elections from the Office of the Secretary of State to the Ethics and Campaign Disclosure Board by July 1, 2003. Requires the Ethics and Campaign Disclosure Board to study and report to the General Assembly by January 13, 2003, a plan on how to move the elections and voter registration duties to the Board. Requires the Board to seek input from the Office of the Secretary of State, the General Assembly, and county commissioners of elections. Requires the study to include how other states perform election responsibilities.
* Requires the State Fleet Administrator of the Department of General Services to conduct a study on the utilization of State-owned vehicles. Requires the report to include the progress that has been made in reducing the State fleet and the report to be submitted to the General Assembly by January 13, 2003.

**Statutory Changes** Significant Changes to the Code of Iowa:

* Requires that an amount equal to $30.00 from each real estate salesperson's license and each broker's license be paid into the Iowa Real Estate Education Fund each year. The Real Estate Education Fund has been receiving the equivalent of 40.00% per year of the fees for each real estate salesperson's license and 25.00% per year of the fees for each broker's license.

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* Strikes the authorization that allows State agencies to pass onto a customer a fee charged to the agency by a credit card company, unless the State agency is authorized to charge the fee by the Treasurer of State.
* Changes the report filing requirement for nonprofit domestic and foreign corporations from every two years to every four years.
* Notwithstanding the provision of section 546.10(5), Code of Iowa, which credits to the State General Fund all fees collected by the Professional Licensing Division of the Department of Commerce, 85.00% of any amount generated in excess of the Division’s current fee revenue goes to the Division. The remaining 15.0% is credited to the State General Fund.

**More Information** Please contact the Legislative Fiscal Bureau for more information.

STAFF CONTACT: Ron Robinson (Ext. 16256)

Agriculture and Natural Resources Appropriations Bill – LSB 6016S Passes appropriations subcommittee

**Agric./Natural Resources** The Agriculture and Natural Resources Appropriations Bill, LSB 6016S, was passed by the Joint Appropriations Subcommittee on March 26. The Bill appropriates $33.4 million and 1,503.3 FTE positions. This is a General Fund decrease of $1.6 million (4.5%) and 11.3 FTE positions (0.8%) compared to the FY 2002 estimated net appropriation.

**Compared to FY 2002** The Bill, as amended, contains the following major changes compared to the FY 2002 estimated net appropriation:

**Agric./Land Stewardship** Department of Agriculture and Land Stewardship:

1. Appropriates $17.5 million and 440.1 FTE positions from the General Fund to the Department of Agriculture and Land Stewardship. This is a decrease of $1.1 million (5.7%) and 11.3 FTE positions (2.5%) compared to the FY 2002 estimated net appropriation.



1. Appropriates $627,000 from the General Fund to the Dairy Products Control Bureau. This amount will increase by $38,000 if HF 2524 (Regulation of Milk and Milk Products) is passed by the General Assembly.

**Dept. of Natural Resources** Department of Natural Resources



1. Appropriates $15.9 million and 1,063.1 FTE positions from the General Fund to the Department of Natural Resources. This is a decrease of $492,000 (3.0%) and no change in FTE positions compared to the FY 2002 estimated net appropriation. The Bill specifies $6.1 million is to be appropriated to the Parks and Preserves Division.
2. Specifies an increase of 12.0 FTE positions if SF 2293 or HF 2468 (Animal Agriculture) is passed by the General Assembly. The FTE positions will be used for enforcement of animal feeding operations.
3. Appropriates $28.0 million to the Fish and Wildlife Division from the Fish and Game Protection Fund. This is an increase of $250,000 and no change in FTE positions compared to the FY 2002 estimated net appropriation for the Aquatic Nuisance Species Program and the Hunter Safety Program.

**NOBA**

**Bill Summary** The Notes on Bills and Amendments (NOBA) for LSB 6016S can be found on the LFB web site: <http://staffweb.legis.state.ia.us/lfb/noba/scripts/noba.dll/s>

STAFF CONTACT: Deb Kozel (Ext. 16767)

Economic Development Appropriations Subcommittee

**Economic Development** On March 26, the Economic Development Appropriations Subcommittee recommended a bill making appropriations to the Department of Economic Development, Workforce Development, the Public Employees Relations Board, and seven economic development programs at the Regents universities. The bill appropriates $30.0 million and 463.6 FTE positions, a decrease of $4.0 million (12.8%) and 0.7 (0.1%) FTE position compared to the net estimated FY 2002 appropriation. The appropriations for various programs and funds were consolidated at the division or department level with the expectation that each department will allocate resources to have maximum effect in attaining departmental goals. Major highlights include:



**Dept. of Econ. Devel**. **Department of Economic Development:** Appropriates a total of $18.3 million from the General Fund and 160.8 FTE positions to the Department of Economic Development, a decrease of $2.6 million (12.4%) and an increase of 2.5 (1.6%) FTE positions compared to the estimated net FY 2002 appropriation. Major changes include:

* Identifying goals for the Department and requiring use of performance measures to demonstrate effectiveness.
* A decrease of $247,000 and 0.3 FTE position for the Administrative Services Division.
* A decrease of $1.8 million and an increase of 1.5 FTE positions for the Business Development Division.
* A decrease of $833,000 and 0.8 FTE position for the Community and Rural Development Division.
* An appropriation of $285,000 for the World Food Prize that maintains the current level of funding. In past fiscal years, funds were allocated to the World Food Prize from the General Administration appropriation.
* Elimination of earmark allocations and standing appropriations and inclusion of intent language that these organizations can apply to DED for funding.

**Regents Regents Universities:** Appropriates a total of $5.9 million from the General Fund and 73.7 FTE positions to Board of Regents institutions, a decrease of $1.0 million (14.6%) and an increase of 0.4 (0.5%) FTE position compared to the estimated net FY 2002 appropriation.

**Workforce Development Iowa Workforce Development:** Appropriates a total of $5.0 million from the General Fund and 217.1 FTE positions to the Iowa Workforce Development, a decrease of $816,000 (14.1%) and 3.5 (1.6%) FTE positions compared to the estimated net FY 2002 appropriation.

**PERB Public Employment Relations Board (PERB):** Appropriates $834,000 from the General Fund and 12.0 FTE positions to PERB, which is no change in funding or FTE positions compared to the estimated net FY 2002 appropriation.

**Finance Authority Iowa Finance Authority:** Requests the Auditor of State review Iowa Finance Authority’s annual audit and do a performance audit of the Authority’s operations.

**More Information** Please contact the Legislative Fiscal Bureau if you have any questions.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

Education Appropriation Subcommittee - House and Senate Meet Separately to Approve Bill

**Education Subcommittee** The Joint Education Appropriations Subcommittee met on March 26 to review a subcommittee bill draft and spreadsheet.

**House Action** The House Education Appropriations Subcommittee met later in the day and voted to approve the Education Bill draft as amended.

**Senate Action** The Senate Education Appropriations Subcommittee met on March 27 and voted to approve the Education Bill draft as amended.

**Difference Between Bills** Funding in both versions of the Bill is the same. The only significant difference between the House and Senate bills is inclusion, in the House version, of language to establish a Registered Nurse Recruitment Program. The Senate Full Appropriations Committee has since approved language for the Program in separate legislation – SF 2323.

**Significant Provisions** Significant provisions of the Education Appropriations Bill (LSB 6018) approved by both the House and Senate include:



* Funding Summary - Appropriates a total of $867.1 million from the General Fund and 17,224.0 FTE positions to the College Student Aid Commission, the Departments of Cultural Affairs and Education, and the Board of Regents. This is a decrease of $37.5 million and no change in FTE positions compared to the FY 2002 estimated net appropriation.
* College Student Aid Commission - Appropriates a total of $53.7 million from the General Fund and 5.2 FTE positions, a decrease of $67,000 and no change in FTE positions compared to the FY 2002 estimated net appropriation.
* Department of Cultural Affairs - Appropriates a total of $5.6 million from the General Fund and 90.7 FTE positions, a decrease of $175,000 and no change in FTE positions compared to the FY 2002 estimated net appropriation.
* Department of Education - Appropriates a total of $191.7 million from the General Fund and 540.1 FTE positions, an increase of $7.5 million and no change in FTE positions compared to the FY 2002 estimated net appropriation. Major changes include:
* Decreases the appropriation to the Community Empowerment Board for School Ready Grants by $631,000 compared to the FY 2002 estimated net appropriation.



* Adds a new General Fund appropriation of $10.0 million for the Student Achievement and Teacher Quality Program. The Program received an FY 2002 appropriation of $40.0 million from the Healthy Iowans Tobacco Trust Fund.
* Board of Regents - Appropriates $616.0 million from the General Fund and 16,588.0 FTE positions, a decrease of $44.7 million and no change in FTE positions compared to the FY 2002 estimated net appropriation. Major changes include:
* Decreases the appropriation to the University of Iowa general university by $7.1 million compared to the FY 2002 estimated net appropriation.
* Decreases the appropriation to Iowa State University general university by $5.6 million compared to the FY 2002 estimated net appropriation.
* Decreases the appropriation to the University of Northern Iowa general university by $2.5 million compared to the FY 2002 estimated net appropriation.
* Changes to the Code of Iowa - Allows the Iowa School for the Deaf to participate in a three-year pilot project to implement an innovative school calendar program.

**More Information** Please contact the Legislative Fiscal Bureau if you have any questions.

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

Health and Human Rights Appropriations Subcommittee Meeting



**Health/Human Rights** On March 26, the Subcommittee met and passed an appropriations bill. The Bill appropriates a total of $50.0 million from the General Fund and 1,427.7 FTE positions for FY 2003 to the seven departments of the Health and Human Rights Appropriations Subcommittee. This is a General Fund decrease of $35.9 million and 13.0 FTE positions compared to estimated net FY 2002. Major changes by department include:

* Department for the Blind – Appropriates $1.6 million from the General Fund and 106.5 FTE positions, a decrease of $124,000 and no change in FTE positions compared to the FY 2002 estimated net appropriation.
* Civil Rights Commission – Appropriates $951,000 from the General Fund and 35.8 FTE positions, a decrease of $112,000 and 1.0 FTE position compared to the FY 2002 estimated net appropriation.
* Department of Elder Affairs – Appropriates $4.1 million and 28.0 FTE positions, a decrease of $168,000 and 2.0 FTE positions compared to the FY 2002 estimated net appropriation.
* Governor’s Office of Drug Control Policy – Appropriates $412,000 and 11.0 FTE positions, a decrease of $63,000 and 2.0 FTE positions compared to the FY 2002 estimated net appropriation.
* Department of Public Health – Appropriates a total of $25.9 million from the General Fund and 365.0 FTE positions to the Department of Public Health, a decrease of $1.0 million and 4.0 FTE positions compared to the FY 2002 estimated net appropriation.



* Gambling Treatment Fund – Appropriates $3.3 million from the Gambling Treatment Fund to the Department of Public Health, which is no change compared to the FY 2002 estimated net appropriation.
* Department of Human Rights – Appropriates a total of $2.4 million and 35.4 FTE positions to the Divisions within the Department of Human Rights, a decrease of $177,000 and 0.7 FTE position compared to the FY 2002 estimated net appropriations.
* Veterans Affairs Commission - Appropriates a total of $14.6 million from the General Fund and 846.0 FTE positions to the Commission of Veterans Affairs, a decrease of $34.2 million and 3.3 FTE positions compared to the FY 2002 estimated net appropriation. The change includes:
* A decrease of $34.1 million and 2.0 FTE positions to the Iowa Veterans Home compared to the FY 2002 estimated net appropriation. The decrease is largely due to the implementation of net budgeting, which will be offset by $34.1 million in revenues the Home will retain under net budgeting. The net effect results in an increase of $19,000.

**More Information** For more detailed information of the Subcommittee action on the Health and Human Rights Appropriations Bill, please feel free to contact the LFB staff at the numbers listed below.

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

Human Services Appropriations Bill Passes Appropriations Subcommittee

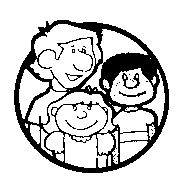


**Human Services** The Human Services Appropriations Subcommittee met March 26, and approved the Human Services FY 2003 Appropriations Bill. The Bill appropriates $780.1 million and 5,448.7 FTE positions. This is an increase of $24.9 million and a decrease of 455.0 FTE positions compared to the estimated net FY 2002 appropriation.

**TANF Block Grant** The Subcommittee also approved $144.2 million in federal Temporary Assistance for Needy Families (TANF) Block Grant funds. This is a decrease of $7.7 million compared to the FY 2002 estimated net appropriation.

**Appropriations** The Bill makes the following appropriations:

**Economic Assistance** Economic Assistance:



* Appropriates $35.3 million for the Family Investment Program from the General Fund. This is an increase of $693,000 and a decrease of 3.0 FTE positions compared to the FY 2002 estimated net appropriation. This includes:
* An increase of $537,088 for statewide expansion of Food Stamps Electronic Benefit Transfer Program.
* An increase of $300,000 to fund technology needs and to meet federal requirements for Welfare Reform.
* Appropriates $6.0 million for the Child Support Recovery Unit from the General Fund. This is a decrease of $448,000 and no change in the General Fund FTE positions compared to the FY 2002 estimated net appropriation.

**Medical Services** Medical Services:

* Appropriates $418.8 million for the Medical Assistance Program from the General Fund. This is an increase of $23.4 million compared to the FY 2002 estimated net appropriation. This includes:

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* An increase of $52.0 million for provider reimbursements due to increased eligibles and utilization.
* An increase of $6.7 million for pharmaceuticals due to an estimated inflation increase of 19.50% for the drug product cost.
* An increase of $1.1 million for nursing facilities due to anticipated increased costs.
* A decrease of $12.0 million for hospital upper payment limit. The Department has amended the Iowa Medicaid State Plan to request this change. There has been no federal approval at this time.
* A decrease of $20.0 million for Senior Living Trust Fund. The Governor is recommending this source of funds instead of the General Fund.
* A decrease of $10.0 million for Tobacco Settlement Fund. The Governor is recommending this source of funds instead of the General Fund.
* A decrease of $9.2 million for increased other funding or decreased expenditures.
* A decrease of $2.0 million to continue changes in dental services passed in HF 2245 (FY 2002 Medical Assistance Program [Medicaid] Supplemental Act).
* A decrease of $1.0 million for a pharmaceutical co-payment increase.
* Appropriates $580,000 for the Health Insurance Premium Payment Program from the General Fund. This is no change compared to FY 2002 estimated net appropriation.
* Appropriates $10.0 million for the Children’s Health Insurance Program from the General Fund. An increase of $2.0 million compared to the FY 2002 estimated net appropriation.
* Appropriates $8.7 million for Medical Contracts from the General Fund. This is an increase of $487,000 and a decrease of 8.0 FTE positions compared to FY 2002 estimated net appropriation.
* Appropriates $19.5 million for State Supplementary Assistance from the General Fund. This is an increase of $978,000 compared to the FY 2003 estimated net appropriation for federal maintenance of effort requirements.



**Adult & Family Services** Adult, Children and Family Services: Appropriates $124.5 million from the General Fund. This is a decrease of $1.5 million compared to the estimated net FY 2002 appropriations within this category. The budget units include child care, the two juvenile institutions operated by the Department of Human Services (DHS), and child and family services appropriations.

**MH/MR/DD** Mental Health/Mental Retardation/Developmental Disabilities (MH/MR/DD): Appropriates $92.7 million from the General Fund. This is a decrease of $171,000 compared to the estimated net FY 2002 appropriations within this category. The budget units include the four mental health institutes and the two resource centers operated by the DHS, mental health-related appropriations, State Cases Program, and the Sexual Predator Commitment Program.

**Managing & Delivering** Managing and Delivering Services:

* Appropriates $52.0 million for Field Operations from the General Fund. This is an increase of $452,000 and a decrease of 208.5 FTE positions compared to the FY 2002 estimated net appropriation.
* Appropriates $11.9 million for General Administration from the General Fund. This is a decrease of $1.0 million and 29.0 FTE positions compared to the FY 2002 estimated net appropriation.

**Intent Language** Intent Language: Various changes compared to the intent language specified for FY 2002 are made. A list is available from the Legislative Fiscal Bureau.

**Statutory Language** Statutory Changes: For a list of Statutory changes contained within the Bill, please contact the Legislative Fiscal Bureau.

**Effective Dates** Effective Dates: For a list of Sections which take effect upon enactment of the Bill, please contact the Legislative Fiscal Bureau.

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

Justice System Appropriations Subcommittee Passes Judicial Branch Bill

**Judicial Branch**  The Justice System Appropriations Subcommittee approved LSB 6022JA, which makes General Fund appropriations to the Judicial Branch. The Bill appropriates $114.4 million from the General Fund and 1,925.0 FTE positions, an increase of $500 and a decrease of 179.4 FTE positions (8.5%). Highlights include:



**Operating Budget** Judicial Branch Operating Budget: Appropriates a total of $111.4 million from the General Fund and 1,925.0 FTE positions, which is no change in funding and a decrease of 179.4 FTE positions (8.5%).

**Judicial Retirement** Judicial Retirement: Appropriates a total of $3.0 million from the General Fund, an increase of $500 compared to estimated net FY 2002.

**Intent/Statutory Language** The Bill includes the following intent language and changes to the Code of Iowa:

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* Notwithstands Section 602.9104, Code of Iowa, changing the State’s contribution rate for the percentage of covered payroll from 23.7% to 15.2%.
* Language to establish a study committee on the Clerk of Court. The report is to be submitted to the General Assembly December 15, 2002. Until the Clerk of Court Study Report is submitted to the General Assembly, the State Court Administrator will approve appointments to clerk of district court positions.

**More Information** Please contact the Legislative Fiscal Bureau for more information

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Justice System Appropriations Subcommittee



**Justice System** The Justice System Appropriations Subcommittee approved LSB 6021JA, which makes General Fund appropriations to the Justice System. The Bill appropriates $359.2 million from the General Fund and 5,999.5 FTE positions, a decrease of $3.4 million (0.5%) and an increase of 27.2 FTE positions (0.5%) compared to estimated net FY 2002. Highlights include:

**Dept. of Justice** Department of Justice: Appropriates a total of $12.3 million from the General Fund and 265.5 FTE positions, a decrease of $1.3 million (9.6%) and an increase of 3.0 FTE positions (1.1%) compared to estimated net FY 2002.

**Dept. of Corrections** Department of Corrections (DOC): Appropriates a total of $242.0 million and 4,120.1 FTE positions, a decrease of $1.3 million (0.5%) and an increase of 14.7 FTE positions (0.4%) compared to estimated net FY 2002. Changes include:

* A decrease of $649,000 and 16.5 FTE positions to reflect staff savings associated with installing security fences at Fort Madison, Anamosa, and Mount Pleasant.
* An increase of $2.8 million and 53.1 FTE positions to operate 120 beds of the 200-bed Special Needs Unit at Fort Madison.
* A decrease of $2.8 million from the Corrections Education appropriation. The remaining appropriation, $100,000, is required to meet federal and State regulations.

**Inspections & Appeals** Inspections and Appeals: Appropriates a total of $33.9 million and 202.0 FTE positions, an increase of $275,000 (0.8%) and no change in FTE positions compared to estimated net FY 2002.

**Parole Board** Parole Board: Appropriates a total of $987,000 and 16.0 FTE positions, a decrease of $8,900 (0.9%) and no change in FTE positions compared to estimated net FY 2002.

**Law Enf. Academy** Law Enforcement Academy: Appropriates a total of $1.3 million and 29.0 FTE positions, a decrease of $102,000 (7.5%) and no change in FTE positions.

**Public Defense** Department of Public Defense: Appropriates a total of $6.5 million and 311.1 FTE positions, a decrease of $30,000 (0.5%) and an increase of 14.5 FTE positions (4.9%) compared to estimated net FY 2002.



**ICN** Iowa Communications Network (ICN): The ICN was transferred from the Oversight and Communications Subcommittee to the Justice System Subcommittee. The Bill appropriates $1.0 million and 105.0 FTE positions, a decrease of $1.1 million (51.5%) and no change in FTE positions.

**Dept. of Public Safety** Department of Public Safety: Appropriates a total of $61.2 million and 950.8 FTE positions, a decrease of $13,000 (0.04%)and 5.0 FTE positions ((0.5%) compared to estimated net FY 2002.

**More Information** Additional information is available by contacting the LFB.

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Transportation, Infrastructure, and Capitals Appropriations Subcommittee

**Infrastructure Bill** On March 27, the Transportation, Infrastructure, and Capitals Appropriations Subcommittee met and passed an Infrastructure Appropriations Bill. The Bill appropriates a total of $232.3 million in FY 2003 from the following sources:



* Restricted Capital Fund: $159.7 million
* State Wagering Tax: $16.8 million
* Rebuild Iowa Infrastructure Fund (RIIF): $20.8 million
* Environment First Fund: $35.0 million

**Future Year Appropriations** The Bill also appropriates a total of $76.5 million in fiscal years 2004 through 2006. Funding in the Bill is provided for a variety of purposes, including infrastructure projects, technology enhancements, debt service on existing bonds, attorney litigation payments for the tobacco settlement, and environmental programs. The total appropriations are summarized below by State agency.

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