

FISCAL UPDATE

March 10, 2003

Legislative Fiscal Bureau

(515)-281-5279 FAX 281-8451

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

STATUS OF APPROPRIATIONS BILLS



Appropriations Subcommittee Bills			
Appropriations Subcommittee		LSB/File #	Status
Admin./Regulation		LSB 1119JA	Passed Joint Subcommittee on March 6.
Ag./Natural Resources		LSB 1120JA	Passed Joint Subcommittee on March 4.
Economic Development		LSB 1121JA	Starts in the Senate.
Education		LSB 1122JA	Starts in the House.
Health & Human Services			Starts in the House.
Justice System		LSB 1125JA	Starts in the Senate.
Judicial Branch		LSB 1126JA	Starts in the Senate.
Infrastructure			Starts in the Senate.
Transportation		LSB 1127JA	Starts in the House.

Other Appropriations Bills			
Block Grant and Federal Funds Bill		HF 472	Passed House Appropriations on March 5.
Property Tax Replacement Supplemental		SF 202	Passed the Senate on February 26.
Breast Cancer Awareness License Plates		SF 127	Passed House on March 6.
Animal Biotechnology Commercialization Fund		HF 453	Passed House Economic Growth Comm. on March 5.

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Other Appropriations Bills (cont.)			
Tobacco Settlement Trust Fund Bill			Starts in the House.
Non-Medicaid Supplemental Act		SF 36	Signed by Governor on February 17.
Oil Overcharge		LSB 1091H	Starts in the House.
Private Water Supply		HF 255	Passed House Appropriations on March 3.
Healthy Iowans Tobacco Trust Fund Bill			Starts in the House.
Salary Bill			Starts in the House.
Standings Bill			Starts in the House.

STAFF CONTACT: Mary Shipman (Ext. 14617) Holly Lyons (Ext. 17845)

ADMINISTRATION AND REGULATION APPROPRIATIONS BILL – LSB 1119JA PASSES SUBCOMMITTEE

Appropriations Bill



The Administration and Regulation Appropriations Subcommittee met March 5 and 6.

On March 5, Ron Robinson, Legislative Fiscal Bureau, reviewed the bill shell and the proposed budget recommendations for the Subcommittee.

On March 6, the Subcommittee discussed and passed LSB 1119JA (FY 2004 Administration and Regulation Appropriations Bill). The Bill appropriates \$86.7 million from the General Fund and 1,937.9 FTE positions for FY 2004. This is an increase of \$7.2 million and 11.9 FTE positions compared to estimated FY 2003. Significant increases include:

- \$105,000 and 3.3 FTE positions to the Auditor of State for additional audit hours.
- \$140,000 to the Racing and Gaming Commission to provide support for the Excursion Boat Regulation Program (these costs are reimbursed by licensees).
- \$5.0 million to the Department of Management for support of the new Reinvention Savings Program.
- \$525,000 and 14.0 FTE positions to the Department of Revenue and Finance to increase the number of field auditors and field collections agents.
- All departments that requested funding for FY 2003 salary adjustment were appropriated those funds for FY 2004 from the General Fund.

Contingent Appropriations

Additionally, the Bill provides contingent appropriations for the creation of the proposed Department of Administrative Services. The Department of Administrative Services would be appropriated \$16.8 million from the General Fund and 445.0 FTE positions and would consolidate the Departments of Personnel, General Services, Information Technology, and

the accounting functions of the Department of Revenue and Finance, and related revolving funds.

More Information

Copies of agendas, minutes, and selected materials distributed to Subcommittee members are available on the LFB web site at:
http://staffweb.legis.state.ia.us/lfb/subcom/admin_reg/admin_reg.htm

STAFF CONTACT: Douglas Wulf (Ext. 13250) Sam Leto (Ext. 16764)
Ron Robinson (Ext. 16256)

AGRICULTURE AND NATURAL RESOURCES APPROPRIATIONS BILL – LSB 1120JA PASSES SUBCOMMITTEE

Appropriations Bill



The Agriculture and Natural Resources Appropriations Subcommittee met March 4 and approved LSB 1120JA (FY 2004 Agriculture and Natural Resources Appropriations Bill).

General Fund appropriations include:

- \$17.0 million and 440.1 FTE positions to the Department of Agriculture and Land Stewardship for FY 2004. This is an increase of \$230,000 (1.4%) and no change in FTE positions compared to estimated FY 2003. The increase is to fund the salary adjustment from the General Fund for FY 2004.
- \$648,000 to the Department of Agriculture and Land Stewardship for the Dairy Regulatory Products Bureau. This is no change compared to estimated FY 2003.
- \$15.5 million and 1,079.1 FTE positions to the Department of Natural Resources for FY 2004. This is an increase of \$314,000 (2.1%) and 4.0 FTE positions compared to estimated FY 2003. The increase is to fund the salary adjustment from the General Fund for FY 2004. The increase in FTE positions is to provide staff for the federally-funded Clean Water State Revolving Loan Program.

Other Fund appropriations include:

- \$29.3 million to the Department of Natural Resources from the Fish and Game Protection Fund. This is an increase of \$100,000 compared to estimated FY 2003 to match federal funds for non-game wildlife research.
- \$1.4 million from the Boat Registration Fees Fund to the Fish and Game Protection Fund. This is no change in funding compared to estimated FY 2003.

Bill Summary

NOBA

A copy of the Notes on Bills and Amendments (NOBA) is available from the LFB or on the web site: <http://staffweb.legis.state.ia.us/lfb/>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETING

Subcommittee Meeting

The Education Appropriations Subcommittee met March 5, to review the targets established by Republican leadership for FY 2004. The Subcommittee Chairs indicated that a draft bill would be ready the week of March 10 and the Subcommittee would meet the week of March 17 to finalize the Bill. The Education Appropriations Bill is scheduled to start in the House.

More Information

Copies of agendas, minutes, and selected materials distributed to Subcommittee members are available on the LFB web site at:
http://staffweb.legis.state.ia.us/lfb/subcom/ed_sub/educat.htm.

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

**HEALTH AND HUMAN SERVICES APPROPRIATIONS
SUBCOMMITTEE MEETINGS**

Presentations



The Health and Human Services Appropriations Subcommittee met March 4-6 and discussed the following:

- On March 4, Kris Bell, Department of Management, and local Empowerment representatives from Scott and Story Counties provided an overview of Statewide and local Empowerment activities.
- On March 5, Dr. Elizabeth Chrischilles, Professor of Epidemiology, University of Iowa, gave a presentation on pharmaceutical case management. In addition, Julie Ingersoll and Jim Krogman, Department of Human Services (DHS), discussed closing of the Riverside Day Care Center in Des Moines, and Dr. Bill Scott, University of Iowa, provided a presentation on a Statewide Vision Screening Program.
- On March 6, Mary Jones, Department of Public Health, and Dr. Mary Gilchrist, University of Iowa Hygienic Lab, provided a presentation on bioterrorism. In addition, a presentation on accessing veterans' benefits was provided by Patrick Palmersheim, Iowa Commission on Veterans Affairs, Charles Brimeyer, Dubuque County Veterans' Services, Eileen Creager, DHS, and Steve Ackerson, Iowa Health Care Association.

More Information

Copies of agendas, minutes, and selected materials distributed to Subcommittee members are available on the LFB web site at:
http://staffweb.legis.state.ia.us/lfb/subcom/human_serv/human_serv.htm

STAFF CONTACT: Sue Lerdal (Ext. 17794) Jennifer Vermeer (Ext. 14611)
Lisa Burk (Ext. 17942)

**JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE
MEETING**

Appropriations Bill

The Justice System Appropriations Subcommittee met March 5 and reviewed the bill shells for the Justice System and the Judicial Branch with LFB staff. The Subcommittee moved to strike several intent language sections that were recommended by the Governor for deletion. The Subcommittee approved both bill shells as amended.

More Information

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

STAFF CONTACT: Beth Lenstra (Ext. 16301) Jennifer Dean (Ext. 17846)

GOVERNMENT OVERSIGHT COMMITTEE MEETING

Insurance Commissioner

The Government Oversight Committee met March 4 and heard a presentation from Therese Vaughn, Insurance Commissioner, regarding premium increases on property, medical malpractice, and long-term care

insurance. Consumer complaints have increased by approximately 35.0% regarding premium increases.

Committee members asked questions concerning investments made by insurance companies in Iowa as a result of the repeal of the premium tax. Questions were also asked regarding the funeral home industry and pre-needs programs.

More Information

Copies of agendas, minutes, and selected materials distributed to Subcommittee members are available on the LFB web site at:
<http://staffweb.legis.state.ia.us/lfb/committee/oversight/oversight.htm>

STAFF CONTACT: Sam Leto (Ext. 16764) Douglas Wulf (Ext. 13250)

HOUSE APPROPRIATIONS COMMITTEE APPROVES BLOCK GRANT AND FEDERAL FUNDS APPROPRIATIONS BILL

Block Grant Bill

The House Appropriations Committee approved HF 472 (FY 2004 Block Grant and Federal Funds Appropriations Bill) on March 5. The Bill provides the mechanism for the State to receive an estimated \$164.2 million in federal block grant funds and an estimated \$3.141 billion in federal categorical and non-State funds in Federal Fiscal Year 2004.

Bill Summary

NOBA

A copy of the Notes on Bills and Amendments (NOBA) is available from the LFB or on the web site at:

<http://staffweb.legis.state.ia.us/lfb/noba/scripts/noba.dll/s>.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Lisa Burk (Ext. 17942)

HOUSE ECONOMIC GROWTH COMMITTEE PASSES THE ANIMAL BIOTECHNOLOGY COMMERCIALIZATION APPROPRIATIONS BILL - HF 253

Animal Biotechnology



The House Economic Growth Committee passed the Animal Biotechnology Commercialization Appropriations Bill on March 4. The Bill creates the Animal Biotechnology Commercialization Fund and appropriates a total of \$33.0 million from tax-exempt bond proceeds of the Restricted Capital Fund over a period of three fiscal years to the Fund. The appropriations are summarized below:

- Appropriates \$5.0 million in FY 2003 and \$10.0 million in FY 2004 for the construction of animal product purification facilities. These appropriations are required to be matched with \$10.0 million in non-State funds.
- Appropriates \$5.0 million in FY 2004 for the construction of biotechnology-related facilities that implement life science enterprise plans.
- Appropriates \$3.0 million in FY 2004 to the Board of Regents for the construction of an animal biotechnology commercial pharmaceutical research center at Iowa State University.
- Appropriates \$10.0 million in FY 2005 for the construction of commercial animal biodefense pharmaceutical production and processing facilities.

STAFF CONTACT: David Reynolds (Ext. 16934)

**BREAST CANCER AWARENESS LICENSE PLATES
PASSES HOUSE – SF 127**

Proposed License Plate



Senate File 127 (FY 2004 Breast Cancer Awareness License Plates) passed the House on March 6. The Bill now goes to the Governor. The Bill creates a new Breast Cancer Awareness license plate. Fees from the sale of the plates will be appropriated to the Department of Public Health to distribute grants to Iowa affiliates of the Susan G. Komen Foundation or similar nonprofit organizations. The following estimate provides the amount of revenue generated based on the sale of 500 to 1,000 plates.

- Year 1: \$17,000 to \$35,000.
- Subsequent Years: \$5,000 to \$10,000.

Bill Summary

A copy of the Notes on Bills and Amendments (NOBA) is available from the LFB or on the web site: <http://staffweb.legis.state.ia.us/lfb/>.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

**DEPARTMENT OF TRANSPORTATION (DOT) OMNIBUS
BILL PASSES SENATE – SF 97**

DOT Omnibus Bill

Senate File 97 (FY 2004 DOT Omnibus Bill) passed the Senate, as amended, on February 19. The Bill provides several transportation-related policy changes for the DOT. Highlights include:

- Eliminates the requirement for the Department to regulate junkyards along primary highways.
- Eliminates the requirement for the Department to regulate the placement of political signs on private property.
- Eliminates the State Aviation Hangar Revolving Loan Fund.
- Allows the DOT to waive or refund fees for a renewal or duplicate license or identification card under certain circumstances.
- Increases the annual fee for driver's licenses by \$1.00. The increase would be in effect from July 1, 2003, to June 30, 2008. On July 1, 2008, the fees would revert to the current level. The DOT will use the additional fees for costs associated with the rewrite of the driver's license issuance and records system. The rewrite is necessary to include new rules and regulations implemented by the Iowa General Assembly and Congress. Moneys in excess of the amount needed to fund the system rewrite will be deposited into the Road Use Tax Fund.
- Requires the DOT to be consistent with federal law when establishing rules for motor carrier safety.
- Amends regulations relating to transporting agricultural hazardous materials.
- Requires urban public transit systems to utilize private-sector operators, if practical, in the planning of transit services.



Fiscal Impact

The estimated fiscal impact of the Bill, as amended by the Senate, is an annual increase in revenue of \$3.7 million to the Road Use Tax Fund from July 1, 2003, to June 30, 2008, for a five-year total of \$18.5 million. The one-time cost of upgrading the driver's license system software is estimated to be

\$9.0 million. In addition to the \$9.0 million, approximately \$500,000 will be needed each year to maintain the system.

Moneys in excess of the amount needed to fund the system rewrite, approximately \$9.5 million, will be deposited in the Road Use Tax Fund.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

PRIVATE WATER SUPPLY SYSTEM ACCOUNT PASSES HOUSE APPROPRIATIONS COMMITTEE – HF 255

Private Well Account

House File 255 (FY 2004 Private Water Supply System Account Bill) passed the House Appropriations Committee on March 3. The Bill creates a new Private Water Supply System Account in the Water Quality Protection Fund. Fees from private well construction permits and private well contractor certification will be deposited into this Account. Funds will be used by the Department of Natural Resources for training sanitarians, private well contractor training, and administrative costs related to private well programs. Fees collected are estimated to be approximately \$118,000 per year.

Bill Summary

NOBA

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STAFF CONTACT: Debra Kozel (Ext. 16767)

PUBLIC SAFETY JUDICIARY ISSUES PASSES SENATE – SF 185

Criminal Law Procedures

Senate File 185 (FY 2004 Public Safety Judiciary Issues Bill) passed the Senate on March 5. The Bill relates to criminal law and procedure, including criminal offenses for arson and harassment. The correctional impact of this Bill will result in one additional person sent to prison for first-degree arson. First-degree arson is a Class B forcible felony and has a 100.0% conviction rate. The fiscal impact of this Bill for one offender being sent to prison is \$47,000 per year for 12 years.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

ASSAULT ON CERTAIN OCCUPATIONS BILL PASSES THE HOUSE – HF 250

Occupations Assault Bill

House File 250 (Assault on Certain Occupations Bill) passed the House on March 4. The Bill expands protected classes under Section 708.3A, Code of Iowa, to include members and employees of the Board of Parole and certain employees of the Department of Human Services (DHS).

Correctional Impact

There is no significant correctional or fiscal impact associated with adding employees and members of the Board of Parole as a protected class. There is a correctional and fiscal impact associated with adding certain DHS employees as a protected class. In FY 2004, there may be 23 convicted offenders sentenced to a higher penalty under this Bill. This may result in two more Class D felony convictions that would have been aggravated misdemeanor convictions under current law. There may be 17 aggravated misdemeanor convictions that would have been serious misdemeanor convictions under current law. There may be four serious misdemeanor

convictions that would have been simple misdemeanor convictions under current law. These offenders may be sentenced as follows: four to prison, one to probation, and eight to jail. One offender may remain on civil commitment status. Nine offenders may receive a sentence other than incarceration or supervision, such as community service, deferred judgment, or a fine.



During FY 2005 (annualized impact), there may be 47 convicted offenders sentenced to a higher penalty under this Bill. These offenders may be sentenced as follows: nine to prison, one to probation, and 15 to jail. One offender may remain on civil commitment status. There may be 21 offenders annually who may receive a sentence other than incarceration or supervision, such as community service, deferred judgment, or a fine.

There may be a net decrease in county jail admissions of one offender in FY 2004. There may be an increase of 120 jail bed days because the length of stay in jail for each offender admitted may increase. In FY 2004, there may be nine fewer serious misdemeanor convictions sentenced to jail with an average length of stay of 32 days. There may be eight more aggravated misdemeanor convictions sentenced to jail with an average length of stay of 51 days.

In FY 2005, jail admissions may experience a net decrease of three offenders, but there may be an increase of 189 jail bed days. The length of stay in jail for each offender admitted may increase. In FY 2005, there may be 18 fewer serious misdemeanor convictions sentenced to jail with an average length of stay of 32 days. There may be 15 more aggravated misdemeanor convictions sentenced to jail with an average length of stay of 51 days.

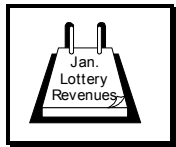
Fiscal Impact

State General Fund expenditures are expected to increase by \$31,000 in FY 2004 and \$64,000 in FY 2005. There may be cost increases in State prisons, Community-Based Corrections (CBC), indigent defense, and court operations. The fiscal impact on county jails is anticipated to be \$2,000 in FY 2004 and \$4,000 in FY 2005.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

LOTTERY REVENUES AND EXPENDITURES THROUGH JANUARY

January Rev./Exp.



The FY 2003 Lottery game revenues through January decreased \$250,000 compared to FY 2002. Lottery prize expenses increased \$613,000, operating expenses decreased \$1.5 million, and transfers to State funds decreased \$528,000. The following table details revenues, expenditures, and balances of the State Lottery. Numbers may not add due to rounding.

STATE LOTTERYJuly Through January
(Dollars in millions)

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Increase/ Decrease</u>	<u>% Increase</u>
Fiscal Year Beginning Balance	\$ 2.2	\$ 2.3	\$ 0.2	
Game Revenues	\$ 105.9	\$ 105.7	\$ -0.2	-0.2%
Interest	0.6	0.4	-0.1	-25.6%
Total Revenue	\$ 106.5	\$ 106.1	\$ -0.4	-0.4%
Prize Expense	\$ 60.5	\$ 61.1	\$ 0.6	1.0%
Operating Expense	22.2	21.7	-0.5	-2.4%
Transfer of Profits	23.4	23.9	0.6	2.4%
Total Expense	\$ 106.0	\$ 106.7	\$ 0.6	0.6%
Jan. Ending Balance	\$ 2.6	\$ 1.7	\$ -0.9	

Comparison to FY 2002

Fiscal year sales through January 2003 compared to the same time period in FY 2002, were as follows:

- Instant ticket sales increased \$1.7 million (3.9%).
- Pick 3 sales increased \$616,000 (23.7%).
- Multi-State Powerball sales decreased \$4.7 million (11.8%).
- Rolldown sales decreased \$897,000 (100.0%).
- Freeplay Replay sales decreased \$27,000 (12.7%).
- Daily Game sales increased \$23,000 (0.9%).
- Pull-tab sales increased \$1.0 million (7.1%).

Ticket Sales

Total Lottery sales through January 2003, were \$105.7 million, a decrease of \$250,000 (0.2%) compared to January 2002. The July through January 2002 sales for the Instant Tickets, Pick 3, Daily Game, and Pull-tabs were above sales for the same period during FY 2002.

Hot Lotto, which was not offered until April 2002, had sales through January 2003 of \$3.2 million. Hot Lotto replaced Rolldown, which ended April 2002.

Estimated Transfers

The December 6, 2002, Revenue Estimating Conference (REC) projected FY 2003 Lottery profit transfers to the General Fund will total \$34.0 million. Actual profit transfer for FY 2002 was \$40.0 million. The REC is currently estimating General Fund Lottery transfers will be \$6.0 million (15.0%) lower in FY 2003 compared to FY 2002. The FY 2003 transfers to the General Fund through January 2003 were \$561,000 (2.4%) more than the amount transferred through January 2002.

House File 2627 (FY 2003 Second Omnibus II – Second Special Session) required the Lottery to deduct \$500,000 from its calculated retained earnings before making lottery proceeds transfers to the State General Fund during FY 2003. The impact was a one-time increased transfer of \$500,000.

Sales Tax

In addition to the amount transferred to the State as profits, the Lottery has transferred \$5.3 million in sales tax during FY 2003.

STAFF CONTACT: Ron Robinson (Ext. 16256)

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