

### **SPECIAL SESSION - GENERAL ASSEMBLY PASSES THE GROW IOWA VALUES FUND BILL - HF 683**

#### **Special Session Bill**



#### **Grow Iowa Values Fund**

The General Assembly amended and passed HF 683 (FY 2004 Grow Iowa Values Fund Bill) on June 4, during the First Extraordinary Session. The Bill provides funding for and appropriations from the Grow Iowa Values Fund and makes numerous changes and corrections to the Code of Iowa and legislation passed during the 2003 regular Legislative Session.

The Bill provides an estimated \$503.0 million to the Grow Iowa Values Fund over a seven-year period, beginning in FY 2004 from revenues generated by the streamlined sales and use tax agreement and federal funds.

#### **Appropriations**

The Bill appropriates a total of \$100.0 million (\$59.0 million in FY 2004 and \$41.0 million in FY 2005) to the Grow Iowa Values Fund from federal funds that will be received through the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.

#### **Revenues**

The Bill also directs an estimated \$403.0 million be deposited into the Fund from revenues that will be generated from the State entering into the streamlined sales and use tax agreement.

#### **Economic Initiatives**

The Bill appropriates a total of \$277.5 million from the Grow Iowa Values Fund over a four-year period (FY 2004 – FY 2007) to be used for a wide range of economic development initiatives. The appropriations and initiatives include:

- \$178.0 million for economic development programs administered by the Department of Economic Development.

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- \$27.0 million for financial assistance to Regents universities and accredited private institutions for a variety of initiatives associated with biotechnology and value-added agricultural purposes.
- \$20.0 million for economic development marketing efforts.
- \$1.0 million for tax credits for rehabilitation projects located in certified cultural and entertainment districts.
- \$22.5 million for a Loan and Credit Guarantee Fund.
- \$1.0 million for payment of Endow Iowa Tax Credits.
- \$1.0 million for the Endow Iowa Grant Program.
- \$1.0 million for State and destination parks.
- \$1.0 million for the Iowa Cultural Trust Fund.
- \$25.0 million for a Workforce Training and Economic Development Fund created for community colleges. The Bill allocates \$1.0 million per year for three years (FY 2004 – FY 2006) for a Job Retention Program through community colleges.

**Other Appropriations**

The Bill appropriates a total of \$3.9 million from the General Fund for FY 2004 for the following:

- Increases the appropriation for State salary adjustment by \$2.0 million. Also, increases the allocation to the Judicial Branch to fund salary adjustment in FY 2004 for Judicial Branch employees by \$150,000 and provides \$150,000 for a 2.0% salary increase on December 5, 2003, for justices, judges, and magistrates.
- Appropriates \$1.0 million to the Department of Management for the Local Government Innovation Fund.
- Increases the appropriation to the Department of Corrections by \$664,000 and 9.5 FTE positions to operate an additional 38 beds at the Luster Heights Prison Camp for a full year.
- Increases the appropriation to the Department of Corrections by \$793,000 and 12.8 FTE positions to operate an additional 225 beds at the Clarinda Correctional Facility for the last two months of FY 2004. The annualization costs for FY 2005 are anticipated to be an additional \$2.4 million and 42.9 FTE positions.
- Appropriates \$312,000 to the Department of Human Services (DHS) for providing mental health care services by county hospitals located in counties with populations of 225,000 or more. The Governor vetoed similar language from HF 667 (FY 2004 Health and Human Services Appropriations Act).
- Increases the appropriation to the Governor's Office by \$250,000 and 2.0 FTE positions to fund the positions from the Governor's Office rather than other State agencies.
- Increases the appropriation to the Infectious Diseases Program in the Department of Public Health by \$98,000.
- Appropriates \$15,000 to the Insurance Division of the Department of Commerce to conduct a study to review health insurance coverage for school district employees as required by SF 386 (FY 2004 Shared Risk Pool for School Teachers and Employees Act).



- Reduces the standing appropriation for Public Transit assistance by an additional \$1.3 million. This will result in an appropriation of \$8.5 million for Public Transit assistance in FY 2004, which is the same level of funding as provided in FY 2003.

**RIF Appropriations**



The Bill appropriates \$822,000 for FY 2004 from the Rebuild Iowa Infrastructure Fund (RIIF) for the following:

- \$730,000 to renovate existing space to expand capacity at the Clarinda Correctional Facility by 225 beds.
- \$92,000 to renovate existing space to expand capacity at the Luster Heights Prison Camp by 38 beds.

**SAVE Fund**



The Bill appropriates up to \$150.0 million over a ten-year period, beginning in FY 2005 and ending FY 2014, for the Secure an Advanced Vision for Education (SAVE) Fund that is used for a School Infrastructure Program created by SF 445 (FY 2004 School Infrastructure Local Option (SILO) Sales Tax Act). Funding for the Program is as follows:

- Beginning in FY 2005, the Bill allocates up to \$10.0 million annually from State wagering taxes after the first \$47.0 million is credited to the Rebuild Iowa Infrastructure Fund.
- Beginning in FY 2005, the Bill appropriates \$5.0 million annually from the moneys credited to the General Fund that results from the State entering into the streamlined sales tax agreement. These funds are appropriated after the funds from this source are appropriated to the Grow Iowa Values Fund.

**SILO Tax**

House File 683 amends SF 445 (FY 2004 Local Option Sales Tax for Schools Act) to establish a guaranteed per pupil amount of \$575 per student. If the per pupil amount generated by the sales tax in a county is less than the guarantee, the county would receive a supplemental appropriation from the Secure an Advanced Vision for Education Fund for the difference. School districts in counties with the tax in place prior to April 1, 2003, would receive the greater of the amount they would receive under current law or that amount plus the supplemental, bringing them up to the guarantee. School districts in counties implementing the tax after April 1, 2003, would receive the guarantee amount or the pro rata share plus the supplemental. If the revenues in the Fund are insufficient to meet the supplemental amounts, the available funds will be distributed by funding the school district with the lowest sales tax capacity per student until it is equal to the next lowest school district. Then those districts will be funded until they equal the next lowest district, and so on until all school districts receive the appropriate supplemental or the Fund is exhausted.

**Streamline Taxes**

The Bill revises Iowa's sales and use tax provisions and brings Iowa in compliance with model Streamlined Sales Tax legislation proposed by a national group representing states and other interested parties. Once in compliance, Iowa will participate with other compliance states in a program of voluntary tax collections by out-of-state retailers.

**Grow Iowa Values Fund**

The Bill appropriates to the Grow Iowa Values Fund the amount of sales and use tax receipts credited to the General Fund that exceeds 2.0% or more of the total receipts credited to the General Fund during the previous fiscal year.

This Bill limits the sales and use tax appropriations to the Grow Iowa Values Fund as follows:

FY 2004:	\$5.0 million
FY 2005:	\$23.0 million
FY 2006:	\$75.0 million
FY 2007:	\$75.0 million
FY 2008:	\$75.0 million
FY 2009:	\$75.0 million
FY 2010:	\$75.0 million

**Sales and Use Tax**

The Bill specifies that if sales and use tax revenues are less than the amount appropriated to the Grow Iowa Values Fund, the appropriations from the Fund for individual programs will be reduced proportionately to the amount of revenues actually received.

**Other Provisions**



Other Provisions of the Bill include:

- Amends SF 458 (FY 2004 Standings, Salaries, and Corrective Changes Act) to allow the Department of Human Services (DHS) to implement a supplemental payment adjustment for physician services provided at publicly owned acute care hospitals. Allows the Department to recoup the adjustment only if payment is first made to the University of Iowa College of Medicine.
- Increases the FTE positions authorized in HF 667 (FY 2004 Health and Human Services Appropriations Act) to the DHS by 11.0 FTE positions for the Sexual Predator Commitment Program.
- Permits the DHS to spend up to \$500,000 from the Medical Assistance (Medicaid) appropriation in HF 667 (FY 2004 Health and Human Services Appropriations Act) to repro cure the contract with the Department’s fiscal agent.
- Requires the Government Oversight Committee to review the application of assisted living program law in relation to continuing care retirement communities and requires the Committee to submit any necessary legislation for consideration during the 2004 Legislative Session.
- Requires that a continuing care retirement community that is in compliance with Chapter 523D, Code of Iowa, not be held in violation of laws relating to assisted living programs if personal services are provided to tenants under specified conditions.
- Requires that a lien for discontinuance of city utility services to premises located on leased land can only be filed against the premises and not the land.
- Provides numerous changes to sections of the Code of Iowa relating to criminal offenses and offenders. These changes have no significant correctional or fiscal impact.
- Permits Community-Based Correction (CBC) District Departments to file a lien on probationers at the time of discharge for fees owed to the District Department. This provision is anticipated to generate minimal additional revenue for District Departments.
- Permits the Department of Corrections (DOC) to charge a fee of up to \$100 for offenders to transfer out of State under the provisions of the Interstate Compact. The fee is estimated to generate approximately \$42,000 annually, which will be deposited into the Interstate Compact Fund controlled by the DOC. The DOC intends to use the funds to pay for dues under the Interstate Compact estimated



at approximately \$25,000 annually. Any receipts generated in excess of the State's dues will be used to offset costs of administering the Interstate Compact, such as transporting offenders between states.

- Requires the Department of Administrative Services to establish reasonable parking fees for State employees for use of the State-owned parking structure. The fees will be deposited into a Capitol Complex Parking Structure Revolving Fund to manage, operate, and maintain the State-owned parking structure. The Governor vetoed similar language from SF 452 (FY 2004 Infrastructure Appropriations Act).
- Requires the Department of Administrative Services to issue a request for proposals for the management, operation, and maintenance of the parking structure located on the Capitol Complex. The Governor vetoed similar language from SF 452 (FY 2004 Infrastructure Appropriations Act).

### More Information

Additional information is available from the LSA upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>.

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## **SPECIAL SESSION - GENERAL ASSEMBLY PASSES TAXATION CHANGES, THE GROW IOWA VALUES PROGRAM, AND REGULATORY REFORM BILL – HF 692**

### Taxation Changes Bill

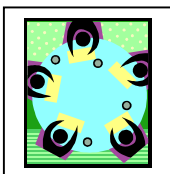
House File 692 (FY 2004 Taxation Changes, the Grow Iowa Values Program, and Regulatory Reform Bill) was passed by the General Assembly on June 4. The Bill makes changes to the method of property assessment and taxation and income taxes, establishes the Grow Iowa Values Program and makes regulatory reform.

### Property Tax Changes



Changes to property tax assessments include:

- **Property Tax:** For the assessment year beginning January 1, 2006, taxable structures are taxed on a square footage basis. Land is assessed separately and taxed on a per acre basis. The assessment process corrects for inflation at the county level using cumulative inflation factors calculated by Iowa State University. The January 2005 assessment will serve as the base. For residential, commercial, and industrial purchases made after January 1, 2005, the purchase price is used in calculating the square footage value corrected for inflation. The Bill permits the assessor to adjust purchase prices to reflect arm's-length transactions and market value. Adjustments are made to the taxable square foot value when substantial changes are made to the structure. To achieve the above changes, Section 441.21, Code of Iowa, is struck and replaced, removing the rollback language.
- **Agricultural Taxation:** Agricultural land continues to be taxed with the current productivity value method. Agricultural structures are to be taxed on an agricultural productivity basis using a value per square foot. Farm residences are to be treated as other residential property.
- **Implementation Committee:** The Bill establishes an Implementation Committee for testing and implementing the property taxation system. The Department of Revenue and Finance (DRF), in consultation with the Department of Management (DOM), is to initiate and coordinate the Committee and provide staff support. The Committee is made up of four members of the Legislature, one each appointed by the Majority and Minority Leaders of the Senate, the Speaker of the House, and the Minority Leader of the House. The Committee also includes members from DOM; DRF; counties; cities; school districts; local



assessors; commercial, residential, and agricultural taxpayers; and other appropriate stakeholders. The Committee will be chaired by the members appointed by the Majority Leader of the Senate and the Speaker of the House. The Committee will oversee the design phase, testing in three counties during the second year, and statewide testing during the third year, with tax collections beginning under the new system in FY 2008. The Committee is to make recommendations relating to the land tax, square footage tax, tax rate limitations, computer hardware and software, data collection and system testing, implementation budgets, and related issues.

- **Legislative Review:** The Bill provides that the property assessment and taxing process is subject to legislative review every five years with the first report due by January 1, 2010.
- **Fiscal Impact:** The Implementation Committee is to make recommendations to the General Assembly to assure the changes are revenue neutral for the classes of property taxpayers, school funding, treatment of current tax credits and exemptions, and other features of the existing tax system.
- **Sunset Provision:** This division of HF 692 is repealed effective June 30, 2005, thus requiring a vote of the General Assembly and approval by the Governor for final implementation of the property tax changes.

### **Income Tax Changes**



Changes to income tax calculations include:

- The Bill reduces Iowa income tax rates incrementally over four years, starting with tax year 2004. By tax year 2007, each of Iowa's nine tax rates will have been reduced a total of 14.1%. In addition, the Bill would replace Iowa's nine tax rates with three rates in tax year 2007, if a constitutional amendment limiting tax increases is approved by Iowa voters. With implementation of the three-rate system, an Iowan's ability to deduct federal taxes paid would be eliminated.
- The following tables provide the current and proposed tax rates and the fiscal impact of the tax reduction both with and without the constitutional amendment.

<b>Proposed Income Tax Rate Reduction</b>						
<u>Adjusted Gross Income Class</u>		<u>Current</u>	<u>Proposed</u>			
		<u>TY 2003</u>	<u>TY 2004</u>	<u>TY 2005</u>	<u>TY 2006</u>	
-	to 1,162	0.36%	0.35%	0.34%	0.32%	0.31%
1,162	to 2,324	0.72%	0.70%	0.68%	0.65%	0.62%
2,324	to 4,648	2.43%	2.36%	2.30%	2.19%	2.09%
4,648	to 10,458	4.50%	4.37%	4.27%	4.05%	3.87%
10,458	to 17,430	6.12%	5.94%	5.80%	5.51%	5.26%
17,430	to 23,240	6.48%	6.29%	6.14%	5.84%	5.57%
23,240	to 34,860	6.80%	6.60%	6.45%	6.13%	5.84%
34,860	to 52,290	7.92%	7.68%	7.51%	7.14%	6.80%
52,290	to and over	8.98%	8.71%	8.51%	8.09%	7.71%
						With Const. Amend.
<u>Adjusted Gross Income Class</u>						<u>TY 2007</u>
-	to 8,000					1.85%
8,000	to 100,000					4.75%
100,000	to and over					4.99%

<b>Income Tax Revenue Reductions - HF 692</b>					
In Millions of Dollars					
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
With Constitutional Amendment	\$ (49.4)	\$ (65.5)	\$ (197.2)	\$ (322.7)	\$ (308.7)
Without Constitutional Amendment	\$ (49.4)	\$ (65.5)	\$ (197.2)	\$ (311.5)	\$ (306.9)

**Phase-Out Delays**

The Bill delays Iowa's phase-out of State sales tax on residential energy utility bills. Current law would reduce the sales tax rate from 3.0% to 2.0% on January 1, 2004, to 1.0% on January 1, 2005, and to 0.0% on January 1, 2006. The Bill retains the 3.0% until June 30, 2008. On July 1, 2008, the rate would be reduced to 2.0%. On July 1 of the next two years, the rate would further be reduced by 1.0%. The following table provides the fiscal impact of the delayed phase-out.

**Tax Credit Program**

The Bill creates a University-Based Research Utilization Tax Credit Program.

<b>Utility Phase-out Delay - HF 692</b>					
In Millions of Dollars					
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Utility Sales Tax Phase-out	\$ 9.0	\$ 27.0	\$ 45.0	\$ 54.0	\$ 54.0

The new Program would be available for five years and would provide tax credit incentives to businesses and university employees who develop patented products that increase employment and economic activity in Iowa. The Program also provides General Fund appropriation incentives to the university where the patented research originated. The projected fiscal impact of the new Program is provided in the following table.

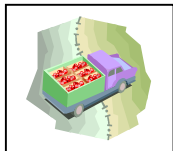
<b>University Based Research Tax Credits - HF 692</b>					
In Millions of Dollars					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Applicant Tax Credits	\$ (0.1)	\$ (0.5)	\$ (0.7)	\$ (1.0)	\$ (1.3)
Employee Tax Credits	\$ (0.0)	\$ (0.2)	\$ (0.2)	\$ (0.3)	\$ (0.4)
University Standing Appropriation	\$ (0.0)	\$ (0.1)	\$ (0.5)	\$ (0.7)	\$ (1.0)
<b>Total</b>	<b>\$ (0.1)</b>	<b>\$ (0.8)</b>	<b>\$ (1.4)</b>	<b>\$ (2.0)</b>	<b>\$ (2.7)</b>

**Grow Iowa Values Program**

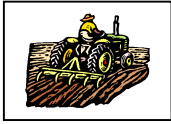


House File 692 establishes the Grow Iowa Values Program through the following provisions:

- Creates the Grow Iowa Values Board within the Department of Economic Development, specifying the membership and duties of the Board members.
- Establishes a Due Diligence Committee within the Department of Economic Development to oversee expenditure of the Grow Iowa Values Fund and to provide recommendations to the Grow Iowa Values Board.
- Creates a Grow Iowa Values Review Commission within the Office of the Auditor to provide program evaluation of specified goals and objectives.
- Specifies Grow Iowa Values Geographic Regions of the State for purposes of applying goals and performance measures.
- Specifies the goals of the Program to expand and stimulate the State economy, increasing the wealth of Iowans, and the population of the State. Establishes calendar year 2002 as a baseline and outlines performance measures. Requires the Department to submit a progress report on the achievement of performance measures.
- Creates a Grow Iowa Values Fund to be administered by the Grow Iowa Values Board.
- Establishes an Economic Development Marketing Board within the Department of Economic Development to administer and implement the approval process for marketing strategies.
- Amends the Value-Added Agricultural Products and Processes Financial Assistance Program (VAAPFAP) requiring the Department of Economic Development to give preference to producer-owned, value-added businesses and public and private joint ventures involving an institution of higher learning under the Board of Regents, or a private college or university acquiring assets, research facilities, and leveraging moneys in a manner that meets the goals of the Grow Iowa Values Fund.
- Expands the type of entities or activities eligible for assistance under the Value-Added Agricultural Products and Processes Financial Assistance Program (VAAPFAP) to include the following:
  - Business facilities in the agricultural biotechnical, agricultural biomass, and alternative energy industries.
  - Facilities that add value to Iowa agricultural commodities through further processing and development of organic products and emerging markets.



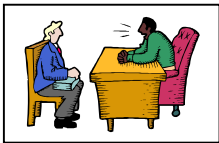




- Producer-owned, value-added businesses, education of producers and management boards in value-added businesses, and other activities that would support the infrastructure in the development of value-added agriculture.

- Allows the Department to reserve up to 50.0% of the Value-Added Agricultural Products and Processes Financial Assistance Program (VAAPFAP) funds for persons requiring up to \$500,000 in financial assistance.
- Creates the Endow Iowa Program Act and requires the Department of Economic Development to identify a lead philanthropic entity to encourage the development of qualified community foundations in the State. Allows the Board of the lead philanthropic entity to award Endow Iowa Grants to qualified community foundations and affiliate organizations, provided certain specified criteria is met.
- Requires a report to be submitted annually by January 15th of each year to the Governor and the General Assembly regarding the commercialization of research at the Regents Institutions. Requires the Board of Regents to work with the Department of Economic Development, other State agencies, and the private sector to facilitate the commercialization of research.
- Requires the governor to appoint a Director of Technology to serve within the office to help advance technology transfer and commercialization issues and coordinate activities.
- Creates a Loan and Credit Guarantee Program to be administered by the Department of Economic Development to assist qualified businesses with an annual average of 200 employees or less and targeted industry businesses to receive a loan from a financial institution.
- Requires the Department of Economic Development to provide business start-up information through a toll-free telephone service and an Internet web site.
- Requires the Department of Economic Development to collect information regarding reasons an Iowa business closed or why a business considering locating in Iowa decided to locate elsewhere instead.
- Requires the Department of Cultural Affairs to establish and administer a Cultural and Entertainment District Certification Program, and allows cities and counties to create cultural and entertainment districts.

**Appropriations**



House File 683 (FY 2004 Grow Iowa Values Fund Bill) makes appropriations for certain programs established in House File 692 (FY 2004 Taxation Changes, the Grow Iowa Values Program, and Regulatory Reform Bill). House File 683 appropriates an estimated \$503.0 million to the Grow Iowa Values Fund from revenues generated by the implementation of the Streamlined Sales and Use Tax and from federal funds that the State will receive through the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.

**Regulatory Reform**

House File 692 contains regulatory reform provisions including, but not limited to, the following:

**Courts**

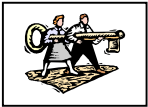


The Bill makes the following changes to the courts:

- Requires a bond not to exceed 110.0% of a money judgment and allows for an appeal without the filing of a supersedeas bond.

- Prohibits liability under civil conspiracy unless a person knowingly and voluntarily entered into an agreement, express or implied, to participate in a common plan with the intent to commit a tortuous act upon another.
- Requires a jury or a court in a trial of a claim involving the request for punitive or exemplary damages to find whether the conduct of the defendant constituted actual malice.
- Requires punitive or exemplary damages only be awarded where the plaintiff proves by clear and convincing evidence that the plaintiff's harm was the result of actual malice.

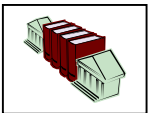
**Business**



The Bill makes the following changes related to business:

- Extends the length of time for an employer to provide required information or reports to the Workers' Compensation Commissioner and raises the penalty if the employer fails to comply to \$1,000.
- Requires the Labor Commissioner to monitor and enforce compliance of timely Workers' Compensation payments and allows the Commissioner to assess a penalty for noncompliance, payable to the second injury fund.
- Requires employers only be responsible for paying workers' compensation benefits directly tied to injuries or illness sustained on the job without regard to pre-existing injuries or illness.

**Government**



The Bill makes the following changes related to Government:

- Extends the repeal on the Unemployment Compensation Surcharge from July 1, 2003, to July 1, 2006, and allows the Department of Workforce Development to continue to collect \$6.5 million for FY 2004 and FY 2005. In FY 2006, the cap on the surcharge is reduced to \$3.3 million.
- Allows cities, counties, and regions to designate an area for targeted economic development and allows them to apply to the Department of Economic Development to certify the area as a preapproved development site.
- Requires the Department of Economic Development to coordinate all regulatory assistance for business in the State.
- Requires a State agency to issue or deny a permit within 90 days. If an agency does not take action within 90 days, the permit, license, or other regulatory approval is deemed to be issued and valid.

**More Information**

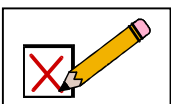
Additional information is available from the LSA upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>.

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**SPECIAL SESSION - GENERAL ASSEMBLY PASSES  
ELECTIONS AND VOTER REGISTRATION BILL – HF 614**

**Voter Registration**



On May 29, the General Assembly passed House File 614 (FY 2004 Elections and Voter Registration Bill). The Bill amends the Code of Iowa to implement the federal Help America Vote Act provisions required of all states. This includes changes to the following areas:

- Implementing uniform and nondiscriminatory complaint procedures.

- Establishing a centralized computer system for voter registration.
- Establishing a State Planning and Implementation Committee.
- Providing voter registration by mail requirements and voter eligibility.
- Verifying voter registration information.
- Providing written instructions to voters and precinct election officials.
- Posting instructions and sample ballots at poll sights.
- Procedures for challenged voters to cast provisional ballots.
- Purchasing voting machines by counties.
- Duties of the election officers.
- Location of voting machines at the polls.
- Duties of the State Commissioner of Elections.
- Amends the Code of Iowa relating to absentee ballot voting.

### Federal Funding



Iowa could receive up to \$35.0 million in federal funding for implementing the required federal provisions of the Help America Vote Act. The first \$5.0 million would have no match requirement. The Governor must specify the State will comply with the federal regulations. The remaining \$30.0 million would require a 5.0% match rate (\$1.5 million). The General Assembly did not appropriate State funds for this purpose. The State is required to meet the federal requirements whether federal funding is received or not. The Bill has been sent to the Governor.

### More Information

Additional information is available from the Legislative Services Agency (LSA) upon request or from the LSA web site at:  
<http://staffweb.legis.state.ia.us/lfb>.

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## GOVERNOR SIGNS ADMINISTRATION AND REGULATION APPROPRIATIONS ACT – HF 655

### Admin. Appropriations



The Governor signed HF 655 (FY 2004 Administration and Regulation Appropriations Act) on May 30. The Act appropriates a total of \$86.8 million from the General Fund and 1,923.9 FTE positions for FY 2004. This is an increase of \$7.2 million and a decrease of 2.1 FTE positions compared to the FY 2003 estimated net General Fund appropriation. Salary adjustment funding of \$1.4 million was provided from non-General Fund sources for FY 2003. Of this salary adjustment total, \$1.3 million has been included in the General Fund appropriation for FY 2004. Significant changes are outlined by department:

### Auditor

Auditor of State - Appropriates \$1.2 million from the General Fund and 105.7 FTE positions. This is an increase of \$105,000 and 3.3 FTE positions for additional audit hours.

**Commerce** Department of Commerce - Appropriates \$20.4 million from the General Fund and 300.5 FTE positions. This is an increase of \$388,000 and a decrease of 5.0 FTE positions. This is a decrease of \$303,000 in other funds for FY 2004 compared to the FY 2003 estimated net appropriation for the elimination of one-time salary funding.

**Drug Control Policy** Governor's Office of Drug Control Policy - Appropriates \$255,000 from the General Fund and 8.0 FTE positions. This maintains the current level of funding and is a decrease of 3.0 FTE positions compared to the FY 2003 estimated net General Fund appropriation. The change in FTE positions is due to a transfer of 2.0 federally funded FTE positions and related federal funding to the Department of Public Health and the elimination of 1.0 FTE position due to the early out program.

**Human Rights** Department of Human Rights - Appropriates \$1.7 million from the General Fund and 32.5 FTE positions. This is an increase of \$35,000 to fund FY 2003 salary adjustment from the General Fund for FY 2004 and no change in FTE positions. This is a decrease of \$35,000 in other funds for FY 2004 compared to the FY 2003 estimated net appropriation for the elimination of one-time salary funding.

**Inspections & Appeals** Department of Inspections and Appeals - Appropriates \$7.3 million from the General Fund and 255.5 FTE positions. This is an increase of \$139,000 to fund FY 2003 salary adjustment from the General Fund for FY 2004. This is a decrease of \$139,000 in other funds for FY 2004 compared to the FY 2003 estimated net appropriation for the elimination of one-time salary funding.

**Racing & Gaming** Racing and Gaming Commission - Appropriates \$3.8 million from the General Fund and 54.8 FTE positions. This is an increase of \$166,000 and no change in FTE positions compared to the FY 2003 estimated net General Fund appropriation. This includes \$64,000 for FY 2003 salary adjustment from the General Fund and \$140,000 for the Excursion Boat Regulation Program. (The licensees reimburse these funds). This is a decrease of \$64,000 in other funds for FY 2004 compared to the FY 2003 estimated net appropriation for the elimination of one-time salary funding.

**Management** Department of Management - Appropriates \$7.1 million from the General Fund and 34.0 FTE positions. This is an increase of \$5.0 million and no change in FTE positions compared to the FY 2003 estimated net General Fund appropriation. The increase is for support of the Reinventing Government Program. This is a decrease of \$141,000 in other funds for FY 2004 compared to the FY 2003 estimated net appropriation for the elimination of one-time salary funding.

**Revenue** Department of Revenue and Finance - Appropriates \$23.3 million from the General Fund and 378.9 FTE positions. This is a decrease of \$915,000 and 11.3 FTE positions compared to the FY 2003 estimated net General Fund appropriation. The changes include:

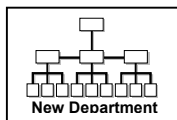


- An increase of \$525,000 for 10.0 FTE positions for field auditors and 4.0 FTE positions for field collections agents.
- An increase of \$253,000 to fund FY 2003 salary adjustment from the General Fund. This is a decrease of \$277,000 in other funds for FY 2004 compared to the FY 2003 estimated net appropriation for the elimination of one-time salary

funding. The difference of \$24,000 represents the salary adjustment associated with the positions transferred to the new Department of Administrative Services.

- A decrease of \$1.7 million to transfer accounting functions to the new Department of Administrative Services.

### Administrative Services



Department of Administrative Services - Makes an appropriation of \$16.8 million from the General Fund and 445.0 FTE positions to the proposed Department of Administrative Services that was contingent upon enactment of HF 534 (FY 2004 Department of Administrative Services Act). The new Department includes the current Departments of Personnel, General Services, Information Technology, and the accounting section of the Department of Revenue and Finance. Additionally, the revolving funds affiliated with the existing Departments transfer to the new Department, and the Department of Revenue and Finance is renamed the Department of Revenue. The Governor signed House File 534 on May 23.

### Professional Licensing

Professional Licensing Division - Eliminates, for one-year, the Professional Licensing Division's ability to retain 85.0% of any fee increase implemented by the Real Estate Commission on or after April 1, 2003.

### Other Provisions

Other provisions in the Act include the following increases in General Fund Revenue:

- An increase in General Fund revenue of \$174,000 from increased enforcement of excursion gambling boat regulations by the Racing and Gaming Commission. The licensee reimburses the Commission for expenditures related to enforcement activities.
- An increase in General Fund revenue of \$1.3 million from increased enforcement of tax payments and regulations by the Department of Revenue.
- An increase in General Fund revenue of \$86,000 from the elimination of the retention of fees by the Professional Licensing Division.

### More Information

Additional information is available from the Legislative Services Agency (LSA) upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Copies of the enacted version of HF 655 can be found at the Iowa General Assembly's web site: <http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>.

STAFF CONTACTS: Ron Robinson (Ext. 16256) Doug Wulf (Ext. 13250)  
Sam Leto (Ext. 16764)

## GOVERNOR ITEM VETOES ECONOMIC DEVELOPMENT APPROPRIATIONS ACT – SF 433

### Economic Development

The Governor item vetoed and signed SF 433 (FY 2004 Economic Development Appropriations Act) on May 30. The Act appropriates \$22.3 million and 433.7 FTE positions from the General Fund. This is a General Fund decrease of \$2.7 million (10.6%) and 5.0 FTE positions (0.4%) compared to the FY 2003 estimated net General Fund appropriation. Salary adjustment funding of \$289,000 was provided from non-General Fund

sources for FY 2003. This has been included in the General Fund appropriations for FY 2004.

**Governor Item Vetoes**



There were no item vetoes that affected funding in the Act. The Governor vetoed the following intent language provisions:

- A requirement that the Department of Economic Development develop performance measures to demonstrate effectiveness of its programs, claiming this would be redundant due to the requirements set in place by the Accountable Government Act.
- A requirement that Small Business Development Centers be located equally throughout different regions of the State, claiming the language is vague, making it impossible to comply.
- A requirement that any business or individual receiving benefits from specified Regent economic development programs have a commercially viable service or product. The Governor states this would have “an unacceptable effect on innovation”.
- Language that would allow the Department of Workforce Development to utilize additional penalty and interest money upon notification of the chairpersons and ranking members of the Economic Development Subcommittee, the Department of Management, and the Legislative Services Agency. The language further requires the Department shall not allocate any additional penalty and interest revenue prior to January 30, 2004. The Governor states this would restrict expenditure of those funds and limit needed flexibility of the Department.
- A requirement that the Department of Economic Development, the Department of Workforce Development, and the Regents’ Institutions submit expenditure and allocation reports, claiming the reporting requirement in this section would duplicate existing data and place an unneeded and unprecedented requirement on limited staff resources.

**More Information**

Additional information is available from the LSA upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Copies of the enacted version of SF 433 and the veto message can be found at the Iowa General Assembly’s web site: <http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>.

STAFF CONTACT: Russell Trimble (Ext. 14613)

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**GOVERNOR ITEM VETOES EDUCATION APPROPRIATIONS ACT – HF 662**

**Governor Item Vetoes**



The Governor item vetoed and signed HF 662 (FY 2004 Education Appropriations Act) on May 30. The Act appropriates \$919.4 million from the General Fund and 17,252.2 FTE positions to the College Student Aid Commission, the Department for the Blind, the Department of Cultural Affairs, the Department of Education, and the Board of Regents. This is an increase of \$68.0 million (8.0%) and a decrease of 48.9 FTE positions (0.3%) compared to the FY 2003 estimated net General Fund appropriation. Salary adjustment funding of \$25.2 million was provided from non-General Fund

sources for FY 2003. Of this salary adjustment total, \$25.2 million has been included in the General Fund appropriation for FY 2004.

### Language Changes

There were no item vetoes that affected funding in the Act. The Governor vetoed the following intent language provisions:

- A requirement that the Board of Regents, Department of Management, and the Legislative Services Agency cooperate to determine the amount to be appropriated for tuition replacement. The Governor stated this language was outdated because the Board now relies on a financial advisor to calculate tuition replacement need.
- A requirement that the University of Iowa expend a specified amount of the appropriated funds for the School of Public Health and the Public Health Initiative. The Governor stated that the language restricts the amount that can be expended and limits flexibility in the budgeting process.
- A requirement that Iowa State University expend a specified amount of the appropriated funds for the Center for Excellence in Plant Science. The Governor stated that the language restricts the amount that can be expended and limits flexibility in the budgeting process.
- A requirement that the University of Northern Iowa expend a specified amount of the appropriated funds for the Masters Degree in Social Work Program. The Governor stated that the language restricts the amount that can be expended and limits flexibility in the budgeting process.
- A technical correction relating to extension of the Variable Pay Pilot Project of the Student Achievement and Teacher Quality Program. This item was changed in other legislation.

### More Information

Additional information is available from the LSA upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Copies of the enacted version of HF 662 and the veto message can be found at the Iowa General Assembly's web site:

<http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>

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

## GOVERNOR ITEM VETOES THE INFRASTRUCTURE APPROPRIATIONS ACT – SF 452

### Governor Item Vetoes



The Governor signed and item vetoed SF 452 (FY 2004 Infrastructure Appropriations Act) on May 30. The Act appropriates a total of \$138.6 million for FY 2004 for a variety of programs and projects relating to infrastructure, the environment, technology enhancements, payment of debt service, and attorney litigation costs associated with the tobacco settlement. The Act also appropriates \$12.5 million for FY 2005 and \$11.7 million for FY 2006.

### Capitol Complex Parking

The Governor vetoed Division IV of the Act, which established a Capitol Complex Parking Structure Revolving Fund, required the Department of General Services to establish a fee for parking in the parking structure, and required the Department of General Services to issue a request for proposals for the management, operation, and maintenance of the parking structure.

### More Information

Additional information is available from the Legislative Services Agency (LSA) upon request or from the LSA web site at:

<http://staffweb.legis.state.ia.us/lfb>. Copies of the enacted version of SF 452 and the veto message can be found at the Iowa General Assembly's web site: <http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>.

STAFF CONTACT: David Reynolds (Ext. 16934)

## GOVERNOR VETOES NON-CARETAKER CHILD ABUSE REPORTING BILL – HF 206

### Governor Vetoes Bill



The Governor vetoed HF 206 (FY 2004 Non-Caretaker Child Abuse Reporting Bill) on May 30. The Bill provided for several changes, including:

- Increased the child age from under age 12 to under age 16 for suspected child abuse that is perpetrated by a person other than the individual responsible for the care of the child.
- Required mandatory reporters to report suspected abuse of a child who is under age 16 by a person who is not a caretaker and may report abuse for older children.
- Required members of the clergy to be mandatory reporters of child abuse under certain circumstances. In addition, the Bill provided an exception to the requirement of completing two hours of training every five years relating to the identification and reporting of child abuse for clergy members.

### Objections to the Bill

The Governor stated he supported the original intent of the Bill, which was to broaden the class of mandatory reporters of child sexual abuse, specifically the clergy. The Bill was vetoed, however, due to the provision that was added that raised the age from under 12 to under 16 for mandatory reporting of suspected child abuse perpetrated by a non-caretaker of a child. The Governor stated the provision would unwittingly set up another roadblock for young teens to seek medical care and other services needed.

### Fiscal Impact



### More Information

It was estimated that HF 206 would have increased State General Fund expenditures for FY 2004 ranging from \$668,000 to \$808,000, and ranging from \$1.8 million to \$2.1 million in FY 2005 due to increased convictions for sexual abuse.

Copies of the enacted version of HF 206 and the veto message are available upon request from the Legislative Services Agency (LSA). The veto message can be found at the Iowa General Assembly's web site at: <http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>.

STAFF CONTACT: Lisa Burk (Ext. 17942)

## GOVERNOR ITEM VETOES DEPARTMENT OF EDUCATION STATUTORY REVISIONS ACT – HF 549

### Governor Item Vetoes



On May 30, the Governor item vetoed and signed House File 549 (FY 2004 Department of Education Statutory Revisions Act). The Act includes a variety of provisions related to the duties of the Department of Education, the Board of Educational Examiners, the Board of Regents, local school boards, and property tax incentives for school reorganization. The Governor item vetoed the following:

- A requirement for the Department of Education to develop and implement a statewide system for educational assessment reporting and a statewide report



card. The Governor objected to a mandated reporting system redundant to the requirement of the federal No Child Left Behind Act. He also objected to the use of a single proprietary system for analysis and reporting of assessment results.

- Language that removes the contract requirement for part-time and substitute school bus drivers. The Governor indicated that the language would eliminate secure employment relationships for bus drivers.
- A requirement that the Department of Education establish and administer a reading instruction pilot program beginning in the fall of 2003. The Governor stated that the provisions would duplicate current efforts to meet the requirements of the federally funded Reading First program. He also indicated that it was very late for school districts to plan to participate in a new program this fall.

### More Information



Website

Additional information is available from the Legislative Services Agency (LSA) upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. The enacted version of HF 549 and the veto message may be found at: <http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>.

STAFF CONTACT: Robin Madison (Ext. 15270)

## GOVERNOR SIGNS ADULT DAY CARE REGULATION ACT – HF 672

### Adult Day Care



The Governor signed HF 672 (FY 2004 Adult Day Care Regulation Act) on May 30. The Act does the following:

- Creates Chapter 231D, Code of Iowa, to provide for the regulation of adult day services programs, and repeals Section 231.61, Code of Iowa, relating to current regulatory provisions for these programs.
- Requires the Department of Elder Affairs to establish a system for certification, monitoring, and complaint investigation for adult day services programs by administrative rule in consultation with the Department of Inspections and Appeals and affected industry, professional, and consumer groups.
- Establishes monetary amounts for adult day services certification and related fees, requires the Department of Inspections and Appeals to collect the fees and deposit the fees into the General Fund.
- Permits the Department of Inspections and Appeals to assess and collect a monetary penalty from a program that discriminates or retaliates against a client or to revoke the program's certification. Funds collected from penalties are to be deposited into the General Fund.
- Requires the Department of Inspections and Appeals, in consultation with the Departments of Elder Affairs and Public Safety, to submit a report to the General Assembly and the Joint Health and Human Services Appropriations Subcommittee regarding the implementation of the oversight system for adult day services programs by December 31, 2004.
- Amends Section 100.1(6), Code of Iowa, to allow the Fire Marshal to designate a fee to be assessed to facilities required by law to have a plan reviewed for fire safety standards. The Act requires the fees be deposited into the General Fund.

**Fiscal Impact**



**More Information**

House File 667 (FY 2004 Health and Human Services Appropriations Act) appropriates \$800,000 and 6.0 FTE positions to the Department of Inspections and Appeals from the Senior Living Trust Fund for the oversight of assisted living and adult day services programs. It is estimated that less than \$100,000 in certification fees will be collected and deposited into the General Fund in FY 2004.

Additional information is available from the Legislative Services Agency (LSA) upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Copies of the enacted version of HF 672 can be found at the Iowa General Assembly's web site: <http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>.

STAFF CONTACT: Lisa Burk (Ext. 17942)

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**GOVERNOR SIGNS ELDER GROUP HOMES AND ASSISTED LIVING REGULATION ACT – HF 675**

**Elder Group Homes**



The Governor signed HF 675 (FY 2004 Elder Group Homes and Assisted Living Regulation Act) on May 30. The Act provides for changes to the Code of Iowa relating to the oversight of elder group homes and assisted living programs, including:

- Amends Section 231C.1, Code of Iowa, to specify it is the intent of the General Assembly that the Department of Elder Affairs establish policy for assisted living programs and that the Department of Inspections and Appeals enforce regulations.
- Amends Section 231C.3, Code of Iowa, to include the following:
  - Requires the Department of Elder Affairs to establish a system for the certification and monitoring of assisted living programs.
  - Permits services to be provided by individuals employed by the tenant, if the tenant agrees to assume the responsibility and risk associated with the contractual relationship.
  - Permits assisted living programs to enter into written agreements with Medicare-certified hospice programs for tenants that are terminally ill who elect to receive hospice services under the federal Medicare Program.
- Amends Section 231C.5, Code of Iowa, to prohibit an assisted living program from operating unless a written occupancy agreement is executed between the program and each tenant or tenant's representative.
- Provides for the requirements to be followed when an assisted living program contests regulatory insufficiencies found as a result of a monitoring evaluation or complaint investigation.
- Permits the Department of Elder Affairs to establish civil penalties for noncompliance with regulatory requirements that present an imminent danger, substantial probability of death, or physical harm to a tenant.
- Prohibits a certified assisted living program from having to be licensed as a health care facility unless the program is represented to the public in such a manner.

- Requires the Department of Inspections and Appeals to collect assisted living program fees, requires the fees be deposited into the General Fund, and established monetary amounts to be assessed for certification and related fees.
- Requires that a continuing care retirement community that is in compliance with Chapter 523D, Code of Iowa, not be held in violation of Chapter 231C, Code of Iowa, if the continuing care retirement community provides services to independent living residents.

**Fiscal Impact**



House File 667 (FY 2004 Health and Human Services Appropriations Act) appropriates \$800,000 and 6.0 FTE positions to the Department of Inspections and Appeals from the Senior Living Trust Fund for the oversight of assisted living and adult day services programs. The Department of Inspections and Appeals estimates that \$75,000 in certification fees will be collected and deposited into the General Fund in FY 2004. In addition, the Department estimates that up to \$120,000 in certification fees may carryover into FY 2004.

**More Information**

Additional information is available from the Legislative Services Agency (LSA) upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Copies of the enacted version of HF 675 can be found at the Iowa General Assembly's web site: <http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>.

STAFF CONTACT: Lisa Burk (Ext. 17942)

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**GOVERNOR SIGNS HEALTHY IOWANS TOBACCO TRUST APPROPRIATIONS ACT – HF 685**

**Tobacco Bill**



The Governor signed HF 685 (FY 2004 Healthy Iowans Tobacco Trust Appropriations Act) on May 30. The Act appropriates \$63.4 million from the Healthy Iowans Tobacco Trust as follows:

- An increase of \$400,000 for a Substance Abuse Prevention Program that utilizes high school mentors. This is a new appropriation for FY 2004.
- An increase of \$1.8 million for Substance Abuse Treatment. This is no change compared to the FY 2003 estimated net appropriation when FY 2002 carryforward is included.
- A decrease of \$70,000 for Healthy Iowans 2010.
- Appropriates \$39.6 million to the Department of Human Services, including a decrease of \$3.2 million for the Medical Assistance (Medicaid) Supplemental.
- Appropriates \$2.0 million to the Department of Corrections, including an increase of \$310,000 for the Value-Based Program at the Newton Correctional Institution. A portion of the funds may be used for a similar program for women at the Mitchellville Correctional Institution.
- Appropriates \$2.2 million to the Department of Education, including an increase of \$1.0 million for the Iowa Empowerment Fund.
- Transfers \$2.0 million from the counties' FY 2004 General Fund Risk Pool appropriation to the Medical Assistance Program.

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**Transfer of Funds**                      The Act transfers \$5.2 million from the Endowment for Iowa's Health Account to the Healthy Iowans Tobacco Trust.

**More Information**                      Additional information is available from the Legislative Services Agency (LSA) upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Copies of the enacted version of HF 685 can be found at the Iowa General Assembly's web site: <http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

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**GOVERNOR SIGNS COURT PRACTICES AND PROCEDURES ACT – HF 694**

**Court Procedures**



The Governor signed House File 694 (FY 2004 Court Practices and Procedures Act) on May 23. The Act:

- Establishes a judicial district and judicial election district redistricting process.
- Makes changes to the nomination, appointment, and retention of judges, expanding magistrate courts.
- Eliminates the position of alternate district associate judge, permitting district judgeships to be apportioned or transferred to another judicial district.
- Requires the county sheriff to serve a summons in certain delinquency proceedings.
- Eliminates the participation of the foster care review board in voluntary foster care placements.
- Waives the filing fee and court costs in certain contempt actions.
- Changes the duties of and the procedures related to the clerk of the district court.
- Provides that interest on a judgment be calculated upon the one-year treasury constant maturity plus two percent.
- Expands the access of the deferred judgment docket, prohibits regional litigation centers.
- Modifies the schedule of the probate court.
- Provides for a fee.
- Provides for a study.

**Fiscal Impact**                      The estimated fiscal impact of HF 694 is an increase in revenue of \$500,000 in court fines collected in FY 2004 and ongoing.

**More Information**                      Additional information is available from the Legislative Services Agency (LSA) upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Copies of the enacted version of HF 694 can be found at the Iowa General Assembly's web site: <http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

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## GOVERNOR VETOES OPERATION PERMITS FOR PUBLIC DISPOSAL SYSTEMS BILL – SF 343

### Governor Vetoes Bill



The Governor vetoed SF 343 (FY 2004 Operation Permits for Public Disposal Systems Bill) on May 30. The Bill provided an exemption for publicly owned wastewater treatment facilities from obtaining a National Pollution Discharge Elimination System permit for a cold-water stream use designation. The Governor's objections to the Bill include:

- The Bill states that a publicly owned treatment facility does not have to obtain a permit under certain conditions, but existing state and federal laws require these permits be issued.
- The Bill is aimed at only cold-water streams and not streams with other classifications. Legislation related to the operation of public disposal systems should address all public disposal systems, not just those that discharge to cold-water streams.
- The Bill addresses the problem of stream classification faced by a specific city. The legislation is now unnecessary because of steps being taken by the Department of Natural Resources (DNR). The DNR is currently working on a scientifically sound system of reclassifying the use designations of streams in Iowa.

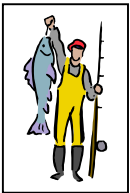
### More Information

Additional information is available from the LSA upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. A copy of SF 343 and the veto message can be found at the Iowa General Assembly's web site at: <http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

## GOVERNOR SIGNS FISHING LICENSES ACT – SF 348

### Fishing Licenses



The Governor signed SF 348 (FY 2004 Fishing Licenses Act) on May 30. The Act makes the following changes that impact the Fish and Wildlife Trust Fund:

- Increases the resident fishing license fee and creates a one-day resident fishing license.
- Creates a one-day and a three-day nonresident fishing license.
- Combines the fishing habitat fee with the fishing license fee to eliminate one transaction fee.
- Specifies that \$3.00 from the sale of each resident and nonresident annual and seven-day fishing license fee be used for fish habitat development.

### Fiscal Impact

The estimated fiscal impact of SF 348 is an increase in revenue of \$1.3 million to the Fish and Wildlife Trust Fund for FY 2004 and \$763,000 for FY 2005.

### More Information

Additional information is available from the Legislative Services Agency (LSA) upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Copies of the enacted version of SF

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348 can be found at the Iowa General Assembly's web site:  
<http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

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## **GOVERNOR VETOES LOCAL GOVERNMENT STREAMLINING – SF 390**

### **Governor Vetoes Bill**



The Governor vetoed SF 390 (FY 2004 Local Government Streamlining) on May 30. The Bill provided several changes to alternative forms of city and county governments, including the following:

- Each city and county participating in a City-County Consolidation Charter process would pay expenses of the City-County Consolidation Charter Commission.
- Following adoption of a City-County Consolidation Charter, the Charter may be amended at a general or special election.
- Recommends whether the election of new officers for an alternative form of government would be on a partisan or nonpartisan basis.
- Creates a Local Government Organization Review Committee. Expenses of the Committee would be paid from the General Fund of the county or from any combination of public or private funds available for that purpose.

### **Governor Comments**

The Governor stated, "Current law allows for the formation of new relationships between local governments. Government at any level should adhere to the American ideal of, for and by the people. Senate File 390 seeks to fundamentally change the way elections may be held at the local level without securing first the consent of the governed. For this most basic respect the bill is fatally flawed."

### **Standing Appropriations**



Language pertaining to the Local Organization Review Committee was also included in SF 458 (FY 2004 Standing Appropriations Act). The language in this Act limited the creation of a Local Organization Review Committee to counties with a population of over 100,000. The Governor item-vetoed this section, stating, "Creating one process for large urban counties and not allowing small rural counties to form committees unnecessarily discriminates between local governments located in urban and rural areas. We are and should always be one Iowa. This important value is compromised in Section 179."

### **More Information**

Copies of the enacted versions of SF 390 and SF 458 and the veto messages are available upon request from the Legislative Services Agency (LSA). The veto messages can be found at the Iowa General Assembly's web site at  
<http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

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## **GOVERNOR SIGNS POLICE DOGS ACT – SF 417**

### **Police Dogs**

The Governor signed SF 417 (FY 2004 Police Dogs Act) on May 30. The Act permits State Performance of Duty funds to be used to purchase a police service dog for the Department of Corrections (DOC) if such a dog has been



injured or destroyed. The Act requires the DOC to utilize other funding sources if possible. Before the enactment of SF 417, the DOC funded the replacement costs of injured or destroyed police dogs out of the prisons' operating budgets. Each dog costs approximately \$3,500 and has an average working life of approximately six years.

**More Information**

Additional information is available from the Legislative Services Agency (LSA) upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. The enacted version of SF 417 may be found at: <http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>

STAFF CONTACT: Beth Lenstra (Ext. 16301)

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**GOVERNOR SIGNS SENTENCING REFORM ACT – SF 422**

**Sentencing Reform**



The Governor signed SF 422 (FY 2004 Sentencing Reform Act) on May 30. The Act reduces the sentencing disparity in penalties between powder and crack cocaine, repeals the determinate sentencing option for certain Class D felonies, and provides for reopening an 85.0% sentence. Under current law, an inmate must serve 85.0% of the sentence to be eligible for release from prison.

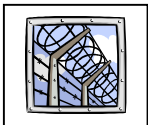
**Creates Penalties**

Regarding the cocaine provisions, the Act increases the penalties for powder cocaine and reduces the penalty at the higher end of the graduated penalties for crack cocaine. There will be increased costs for the Indigent Defense Program due to the increased penalties for powder cocaine. No cost savings will accrue to the Indigent Defense Program due to the reduction of penalties.

**Impact on Stay**

The repeal of the determinate sentencing option for certain Class D felonies will reduce the average length of stay for certain offenders. During FY 2002, 39 offenders were sentenced under this provision. Approximately 53.8% of these offenders will serve a longer prison term than if they had been sentenced to an indeterminate term.

**Correctional Impact**



Prison admissions will not change, but the average length of stay for certain offenders will decrease. There will be prison readmissions for those offenders released under sentence reopenings who failed the requirements of work release or parole and are revoked back to prison. It is estimated there will be two readmissions in FY 2006, two readmissions in FY 2007, and three readmissions in FY 2008.

**Work Release**

The offenders released under sentencing reconsideration will be placed in work release facilities, paroled from those facilities by the Board of Parole, and then intensively supervised while on parole by the CBC District Departments. The CBC District Departments may seek funds to begin or expand day programming, which combines intensive supervision with treatment, electronic monitoring, and daily reporting to a CBC facility.

**Fiscal Impact**

The Office of the Attorney General, the Judicial Branch, the Indigent Defense Program, and Community-Based Corrections will incur additional costs associated with sentence reopenings. The impact on the counties is not anticipated to be significant. The estimated net fiscal impact of SF 422 to the State General Fund is an increase in expenditures of \$34,600 during FY 2004, and an increase in expenditures of \$115,000 in FY 2005.

**CBC Facilities**

The CBC facilities are currently at capacity. Offenders approved for work release will remain in prison until a CBC facility bed becomes available. Therefore, costs for CBC facilities will not increase. Additional CBC staff will be required for the Intensive Supervision Program statewide: 0.17 FTE position in FY 2004 and 1.0 FTE position in FY 2005.

**More Information**



Copies of the enacted version of SF 422 are available upon request from the Legislative Services Agency (LSA). The veto message can be found at the Iowa General Assembly's web site at:  
<http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>

STAFF CONTACT: Beth Lenstra (Ext. 16301)

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**GOVERNOR SIGNS SCHOOL INFRASTRUCTURE LOCAL OPTION SALES TAX ACT – SF 445 – AMENDED BY GENERAL ASSEMBLY IN SPECIAL SESSION**

**School Infrastructure**



The Governor signed SF 445 (FY 2004 School Infrastructure Local Option Sales Tax Act) on May 30, and the Act was amended by the General Assembly during the Extraordinary Session on June 3 and 4. With the special session amendment, the Act amends the current school infrastructure local option sales and services tax (SILO) by creating a shared financing program and the Secure an Advanced Vision for Education Fund. After being amended, SF 445 establishes a guaranteed per pupil amount of \$575 per student, to be re-evaluated annually by the General Assembly. If the per pupil amount generated by the sales tax in a county is less than the guarantee, the county would receive a supplemental appropriation from the Secure an Advanced Vision for Education (SAVE) Fund to make up the difference. School districts in counties with the tax in place prior to April 1, 2003, would receive the greater of the amount they would receive under current law or that amount plus the supplemental, bringing them up to the guarantee. School districts in counties implementing the tax after April 1, 2003, would receive the guarantee amount or the pro rata share plus the supplemental. If the revenues in the Fund are insufficient to meet the supplemental costs, the available funds will be distributed by funding the school district with the lowest sales tax capacity per student until it is equal to the next lowest school district. Then those districts will be funded until they equal the next lowest district, and so on until all school districts receive the appropriate supplemental or the SAVE Fund is exhausted. The Act also expands the permitted use of SILO tax revenues to include debt service and sunsets SILO taxes as of December 31, 2022.

**Funding Source**

Beginning in FY 2005 and ending in FY 2014, House File 683 makes annual appropriations to the Secure an Advanced Vision for Education Fund for the school infrastructure program described above. Each year the Fund receives \$10.0 million from State wagering taxes after the first \$47.0 million is credited to the Rebuild Iowa Infrastructure Fund, and \$5.0 million from the revenue generated by the Streamlined Sales and Use Tax Agreement, after the appropriation to the Grow Iowa Fund.

**Participating Counties**



As of May 2003, 40 counties have implemented or voted to implement a school infrastructure local option sales and services tax (SILO), six school districts have placed the issue on the ballot, and six have contacted the Iowa Association of School Boards for information. Based on current sales tax



data, the supplemental costs for these schools would be approximately \$26.1 million. If all counties participated, the annual supplemental costs are estimated to be \$55.3 million.

**Fiscal Impact**

There is no appropriation or obligation to the State General Fund in the Bill.

**More Information**

Additional information is available from the Legislative Services Agency (LSA) upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Copies of the enacted versions of SF 445 and HF 683 can be found at the Iowa General Assembly's web site: <http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

## GOVERNOR ITEM VETOES REINVENTION OF GOVERNMENT ACT – SF 453

**Governor Item Vetoes**

On May 30, the Governor signed and item vetoed SF 453 (FY 2004 Reinvention of Government Act). The Act provides an estimated net savings of \$118.0 million from the General Fund for changes to appropriations, State government expenditures, remission of funds to the State, and local government actions. The Act appropriates \$14.0 million from the Hospital Trust Fund for Medical Assistance (Medicaid) for FY 2004. The Governor item vetoed the following:

- Several portions of Section 31 relating to the reduction of \$17.9 million of General Fund monies from the Board of Regents institutions. In lieu of specific amounts from the General University budgets from the three institutions of higher education, the Governor's item veto would permit the Regents to reduce the same amount of funding from any of the budget units governed by the Board of Regents. The Governor indicates that it is important that the Board have flexibility regarding the reductions.
- Section 31, Subsection 2 that would have required the Legislative Council to create an interim study committee regarding possible charges upon State agencies for capital assets. The Governor indicates that he does not support the charging policy and does not support studying the policy.
- Section 38, which created a task force within the Department of Education to study various educational issues including delivery of media services, educational services, and special education support services by the area education agencies. The Governor indicates that related studies and recommendations have already been implemented and accountability and efficiencies are occurring. The Governor indicates that he is recommending the Department establish a task force to review special education finance.

**More Information**

A copy of the Act may be found at [www.legis.state.ia.us/Bills.html](http://www.legis.state.ia.us/Bills.html). A copy of the veto message may be found at: [www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm](http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm). A detailed explanation of the Act may be found in the May 12 edition of the Fiscal Update at: <http://staffweb.legis.state.ia.us/lfb/docs/FiscUpdt/2003/FUDFK015.PDF>.

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**GOVERNOR ITEM VETOES STANDING APPROPRIATIONS,  
SALARY PROVISIONS, AND STATUTORY CHANGES ACT –  
SF 458**

**Governor Item Vetoes**



The Governor item vetoed and signed SF 458 (FY 2004 Standing Appropriations, Salary Provisions, and Statutory Changes Act) on May 30. The Act appropriates a total of \$334.8 million from the General Fund and \$26.9 million from other funds for FY 2004. The Bill also makes an FY 2005 General Fund appropriation of \$23.7 million to the Department of Human Services (DHS) for Mental Health Allowed Growth.

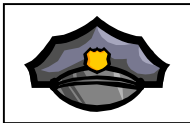
**Funding Item Vetoed**

The Governor vetoed a General Fund appropriation of \$312,000 to the Department of Human Services for a county hospital (Broadlawns in Des Moines). The Governor stated that assisting a single county hospital was inequitable.

**Language Item Vetoed**

The Governor vetoed the following intent and statutory language:

- A provision that prohibited local governments from prorating State-funded property tax credits. The Governor stated this provision would further reduce funding for local governments.
- A provision that required performance-based criteria to be added to the Community Empowerment distribution formula beginning in FY 2005. The Governor stated this appears to allow for increased pressure of inappropriate assessment of young children and unrealistic expectations on Community Empowerment areas to show a percent of improvement. The Governor also stated that the penalty of funding reductions for not meeting established improvement percentages does not support the purpose or intent of Community Empowerment.
- Three sections that had the effect of changing the merit status for the Director of the Iowa Law Enforcement Academy. The Governor stated that the changes were punitive and would unnecessarily destabilize the position and work of the Director.
- A provision limiting the liability of county fair societies. The Governor stated that this provision creates a privileged class of wrongdoers – those that hurt and injure attendees at a county fair.
- A provision that allows sanitary landfills with an active methane collection system to accept yard waste. The Governor stated that yard waste is best managed at a composting facility.
- A provision authorizing the sale of real property by the Department of Corrections. The Governor stated that the language undermines existing statutory language that allows for the sale of real property.
- A provision that extended the deadline for a refund of sales and use tax for materials used in a street and sewer construction project for the City of Granger. The State Appeal Board had denied this claim because it was not timely filed. The Governor stated this provision would compromise the authority of the Board.
- A provision that permitted Central Lyon Community School District to refile a claim for State reimbursement of costs to provide high school vocational education programs. The Governor stated that this provision would infringe on the authority of the Executive Branch and the State Appeal Board.





- A provision that allows up to \$200,000 of the funds allocated to the Variable Pay Pilot Project of the Student Achievement and Teacher Quality Program to be expended on a reading instruction pilot program. The Governor stated that the pilot program was duplicative of the federally funded Reading First Program and would take critical funds from the Variable Pay Pilot Project.
- Provisions relating to smallpox vaccinations for government employees. The Governor stated that the vaccinations as proposed would be administered by a specific process that is not yet approved by the Food and Drug Administration (FDA) and gives inappropriate duties and responsibilities to the Emergency Management Division. The Governor stated that the vaccinations should be administered by the Department of Public Health.
- Provisions authorizing the sale of the Iowa Communications Network (ICN). The Governor stated that the design and implementation of the ICN is not conducive to privatization.
- A provision that limits creation of a local government organization review committee to counties with a population in excess of 100,000. The Governor stated that treating large and small counties differently was not equitable.

### More Information



Additional information is available from the LSA upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Copies of the enacted versions of SF 458 and the veto message can be found at the Iowa General Assembly's web site: <http://www.legis.state.ia.us/GA/80GA/Session.1/Affected/03enroll.htm>

STAFF CONTACT: Mary Shipman (Ext. 14617)

## GOVERNMENT OVERSIGHT COMMITTEE MEETING

### Oversight Meeting



The Government Oversight Committee met on May 20 and 21. The focus of the meetings was on the role of and need for advocacy agencies for various segments of Iowa's population.

The Committee established the following dates for future meetings:

- June 16–17
- July 14–15
- September 15–16
- October 13–14
- December 15–16

### More Information

An overview of the meeting will be available in the next issue of the Iowa Legislative Interim Calendar and Briefing and can be found at <http://www.legis.state.ia.us/GA/80GA/Interim/2003/>. Additional information is available from the LSA upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>.

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

Nelson (Ext. 25822)

## **MEDICAID DIRECTOR ANNOUNCED**

### **New Director**



The Department of Human Services announced on June 2 that Eugene Gessow has been hired as the new director of the Medicaid Program. Mr. Gessow holds a similar position in the state of Maine and has also managed Medicaid Programs in New Mexico and Massachusetts. He will start his new position at the end of June.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

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## **MAAC MEETING**

### **MAAC Meeting**

The Medical Assistance Advisory Council (MAAC) met on June 4. The Council received an update from Department of Human Services Director, Kevin Concannon, on the following items:

- Eugene Gessow has been appointed as the new Director of the Medicaid Program.
- An overview of the Medicaid savings proposals in HF 619 (Medicaid Cost Containment Act), including a discussion of the Preferred Drug List.
- A discussion of the Federal State Fiscal Relief package, which includes an increase in the federal match rate for Medicaid of 2.95%.

### **Enrollment Updates**



The Council also received updates on enrollment and expenditure trends in the Medicaid Program and the FY 2004 budget. Director Concannon also discussed the Medicaid Reform efforts going on at the Federal level. A group of ten governors, including Governor Vilsack, have been meeting to discuss their priorities for Federal reform.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

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## **STATE AUDITOR ISSUES SPECIAL REPORT OF THE WEBSTER COUNTY SHERIFF'S OFFICE**

### **Special Investigation**



### **Sheriff's Office**

The Legislative Services Agency has received a copy of the Report on Special Investigation of the Webster County Sheriff's Office for the Period July 1, 1997, through February 28, 2003, issued by the Office of Auditor of State.

As a result of certain disbursements identified during the FY 2002 audit of Webster County's financial statements, the State Auditor's Office conducted a special investigation of the Sheriff's Office. Personnel from the Auditor of State's Office performed the following procedures:

- Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- Reviewed selected disbursements to determine if expenditures were properly approved, supported by adequate documentation, and met the test of public purpose.
- Reviewed altered invoices with copies of original invoices obtained from the vendors whenever possible.

- Reviewed confidential informant files to determine if any informants were paid by the Sheriff's Office with meat.
- Selected certain fixed assets purchases to determine if the items were located in and in use by the Sheriff's Office.
- Observed items located in a storage facility used by the Sheriff's Office. Attempts were made to verify the purchase of items in the storage locker and items that were brought to the jail's kitchen.
- Reviewed selected County Sheriff payroll disbursements to determine if payroll was properly approved and supported by timesheets.

**Findings**

These procedures identified approximately \$10,000 of improper disbursements approved by the Sheriff, of which the Sheriff repaid \$358. Improper food purchases included quality cuts of meat, chicken, turkey, spiral cut ham, and sports drinks. Improper sundry purchases included varsity jackets, electric shavers, and George Foreman Grills. Items returned to the county storage facility included a boom box, a cordless telephone with a built-in answering machine, three televisions, and three cellular telephones. Items returned to the jail's kitchen included a toaster, a drink mixer, and two portable gas cooking units. A Digital Video Disc player was included on the jail's fixed asset listing but was not readily available at the jail. Upon further investigation, it was discovered receipts were either missing or altered for certain items.

**Audit Recommendations**

The State Auditor's Office made recommendations to improve internal control procedures. These recommendations are included in the FY 2002 audit report for Webster County. A full copy of the Special Investigation may be found on the State Auditor's web site:  
<http://state.ia.us/government/auditor/reports/reports.htm>.

**Attorney General**

The Area Prosecutions Division of the Office of the Attorney General and the Division of Criminal Investigations of the Department of Public Safety were also involved in the special investigation. As a result of the investigation, the Iowa Attorney General's Office filed charges against Sheriff Edward Griggs in Webster County District Court. Specific charges include:

- Theft in the Second Degree, a Class D felony.
- Felonious Misconduct in Office, a Class D felony.
- Tampering with Records, an aggravated misdemeanor.

**Arrest Made**



**Attorney General**

Sheriff Griggs was arrested May 13 and booked into the county jail. He was released on his own recognizance pending trial. He pleaded not guilty on May 27, 2003, and waived his right to a speedy trial. A trial date has not been set.

The Webster County Attorney requested that the matter be turned over to the Office of the Attorney General due to a potential conflict of interest. A full copy of the news release may be found on the Office of the Attorney General's web site:  
[http://www.state.ia.us/government/ag/latest\\_news/index.html](http://www.state.ia.us/government/ag/latest_news/index.html).

**More Information**

Additional information is available from the LSA upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

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**AUDIT REPORT – IOWA SHEEP AND WOOL PROMOTION BOARD**

**Audit Report**

The State Auditor issued the FY 2002 Audit Report for the Iowa Sheep and Wool Promotion Board on March 17, 2003. The Legislative Services Agency (LSA) received the report on May 15, 2003.

**Reportable Conditions**

The Report included two reportable conditions:

**Segregation of Duties**



**Segregation of Duties** – The Board has one employee who is authorized to approve refund payments, expenditures, prepare and sign checks, and post all accounting transactions.

Recommendation - The Board should review the operating procedures to obtain maximum internal controls.

Response - The Board has implemented the following procedures:

- The Board Treasurer reviews all monthly bank statements and the bank reconciliation ledger.
- The Board Treasurer signs all checks.
- The deposits are made directly to the bank.
- The dollar limit for pre-approved authorization is \$300 per month.

The response was accepted.

**Tax Exempt Status**



**Tax-Exempt Status** – The Board filed the appropriate forms to claim the tax-exempt status from the federal government but did not pay the required fee.

Recommendation - The Board should file the appropriate forms and pay the fee to the Internal Revenue Service.

Response - The Board filed the appropriate paperwork and included the fee to the Internal Revenue Service.

The response was accepted.

**More Information**

Additional information is available from the LSA upon request or from the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>.

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