

FISCAL UPDATE

January 20, 2004

Legislative Services Agency

(515)-281-5279 FAX 281-8451

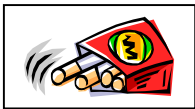
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GOVERNOR'S FY 2005 BUDGET RECOMMENDATIONS SUMMARY

Governor's Budget

The Governor's FY 2005 General Fund appropriations recommendation is \$4.771 billion, an increase of \$280.0 million (6.2%) compared to the estimated net FY 2004 appropriations. The following summarizes the recommendations for FY 2004 and FY 2005:

FY 2004 Changes



The following recommendations were made for FY 2004:

- Cigarette Tax Increase. The Governor is recommending an increase to the cigarette tax of 60 cents per pack. The Governor's budget assumes the tax increase will be enacted by March 1, 2004, which would generate an estimated \$36.0 million in General Fund revenue for FY 2004.
- Appropriations Transfer. The Governor is recommending a transfer of \$20.0 million from the General Fund to the Senior Living Trust Fund in FY 2004.

FY 2005 Revenue

The Governor's FY 2005 General Fund budget recommendation proposes revenue adjustments resulting in a net revenue increase of \$283.1 million. The revenue changes include:

- **\$208.3 million from Sales Tax Expansion** – The Governor is recommending expanding the sales tax base to include the taxation of certain services, including:
 - Engineering: \$33.3 million
 - Accounting/Auditing: \$29.5 million
 - Public Relations: \$23.8 million
 - Computer Programming: \$20.7 million
 - Consulting: \$19.6 million
 - Computer Integrated Systems Design: \$19.0 million
 - Management: \$17.6 million
 - Architectural: \$9.2 million
 - Computer Facilities Management: \$8.2 million
 - Other Services: \$27.4 million



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- **\$108.0 million from Cigarette Tax Increase** – The Governor is recommending increasing the cigarette tax by 60 cents per pack. Cigarettes are currently taxed at 36 cents per pack, which is estimated to generate \$84.1 million in General Fund revenue in FY 2005. The Governor estimates the increase would generate an additional \$108.0 million in revenue in FY 2005.
- **\$25.0 million Combined Corporate Tax Reporting** – The Governor's proposal would require corporations to file combined reports for Iowa corporation income tax purposes. Under current law, corporations are allowed to file separate tax reports for each subsidiary.
- **\$5.0 million Reserve Fund Interest** – The Governor is recommending notwithstanding Section 8.57, Code of Iowa, so that the interest earned by the Cash Reserve and Economic Emergency Funds would be deposited into the General Fund. Under current law, the interest is deposited into the Rebuild Iowa Infrastructure Fund (RIIF). If enacted, this will be the fourth consecutive year that interest from the Reserve Funds has been deposited into the General Fund.
- **Phase-Out of the Sales Tax on Residential Utilities** – The Governor is recommending the restoration of the phase-out of the residential utility sales tax. The net effect of the two tax law changes and a Governor's item veto during the 2003 Session repealed the phase-out that was to be effective July 1, 2004. The repeal increased the FY 2005 General Fund revenue estimate by \$63.4 million. The Governor's recommendation would reinstate the phase-out and reduce the FY 2005 revenue estimate by \$63.4 million.
- **Department of Natural Resources (DNR) Fee Increase** – The Governor is recommending that additional fees generated by the DNR be deposited into the General Fund, which would generate an additional \$200,000 in revenue in FY 2005.



FY 2005 Appropriations

The Governor's FY 2005 General Fund budget recommendation proposes appropriations totaling \$4.771 billion. Significant changes include:

- **\$116.4 million increase for School Aid** – The Governor is recommending an increase of \$116.4 million for School Aid. This recommendation funds allowable growth at 2.0% (\$47.1 million), restores \$45.4 million associated with the FY 2004 2.5% across-the-board reduction, replaces \$11.2 million associated with a 2.0% decrease in property tax valuations, replaces \$10.0 million associated with a reduction in Area Education Agencies funding, and makes various adjustments of \$2.7 million.
- **\$57.9 million increase for Medical Assistance (Medicaid) Program** – The Governor is recommending an increase of \$57.9 million for the Medicaid Program. This includes \$32.7 million for 4.5% enrollment growth, \$15.2 million to replace funds transferred for the FY 2004 salary adjustment, and \$10.0 million to phase-down expenditures from the Senior Living Trust Fund.
- **\$30.0 million increase for the Board of Regents** – The funds are to be used for salaries and to add FTE positions that have been eliminated through previous budget reductions.
- **\$23.0 million increase for the Grow Iowa Values Fund** – The appropriation will supplement the funds appropriated to the Grow Iowa Values Fund during the 2003 Special Legislative Session.
- **\$17.5 million increase for the Homestead Property Tax Credit** – The Governor is recommending an increase of \$17.5 million to fund a larger portion of the Homestead Property Tax Credit in FY 2005.





- **\$10.0 million increase for Teacher Professional Development** – The Governor is recommending \$10.0 million for grants to local school districts to fund professional development for teachers. The Waterloo Community School District would receive \$555,000 to implement the highest priority recommendations of the Achievement Gap Task Force. Other local districts would be required to reallocate administrative funds to professional development to qualify for the grants.
- **\$10.0 million increase for Child and Family Services** – The Governor is recommending an increase of \$10.0 million for Child and Family Services to restore the FY 2004 General Fund reduction that was required by SF 453 (Reinvention of Government Act).
- **A net decrease of \$14.6 million for Agricultural Land and Family Farm Tax Credits** – The Governor is recommending elimination of the Agricultural Land Tax Credit and doubling the Family Farm Tax Credit. The Agricultural Land Tax Credit partially offsets the school taxes on agriculture real estate, and all such real estate is eligible for reimbursement. The Family Farm Tax Credit also offsets school taxes but is available only to individuals actively engaged in farming property. The recommended change would lower the total State funds expended on reimbursement but would concentrate those funds on landowners actually farming the benefited property. The current standing appropriation amount for the Family Farm Credit is \$10.0 million. The Governor is recommending a level of \$20.0 million.



- **A decrease of \$29.8 million for the Endowment for Iowa's Health Account** – The Governor is recommending the deappropriation of \$29.8 million earmarked for the Endowment for Iowa's Health Account. These funds were appropriated during the 2001 Legislative Session in SF 533 (Tobacco Settlement Trust Fund Act).
- The Governor's FY 2005 budget recommendation does not include funding for salary increases or annualization. The estimated cost to fully fund State employee salary increases is \$69.4 million for FY 2005.

Subcommittee Approps.

The Governor's FY 2005 General Fund recommendations are listed in the table below by Appropriations Subcommittee.

Governor's FY 2005 General Fund Recommendations

(Dollars in Millions)

<u>Subcommittee</u>	<u>Est. Net FY 2004</u>	<u>Gov. Rec. FY 2005</u>	<u>FY 2005 vs. FY 2004</u>	<u>Percent Change</u>
Administration & Regulation	\$ 94.4	\$ 92.4	\$ -2.0	-2.0%
Agriculture & Natural Resources	34.2	34.2	0.0	0.0%
Economic Development	22.5	46.3	23.8	105.6%
Education	880.4	933.6	53.2	6.0%
Health & Human Services	750.5	838.2	87.7	11.7%
Justice System	503.1	521.4	18.3	3.6%
Trans, Infrastructure, & Capitals	-0.1	0.0	0.1	-100.0%
Unassigned Standings	2,206.2	2,305.0	98.8	4.5%
TOTAL	\$ 4,491.1	\$ 4,771.1	\$ 280.0	6.2%

The sum of the numbers may not equal totals due to rounding.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: David Reynolds (Ext. 16934) Jeff Robinson (Ext. 14614)

HOUSE APPROPRIATIONS COMMITTEE PASSES 98% EXPENDITURE LIMITATION BILL – HSB 501

Expenditure Limitation



The House Appropriations Committee passed House Study Bill 501 (98.0% Expenditure Limitation Bill) on January 14. The Bill reduces the expenditure limitation rate from 99.0% to 98.0%, which reduces the amount that the General Assembly and the Governor can appropriate from the General Fund for the succeeding fiscal year.

Expenditure Calculation

Expenditure limitation is calculated by multiplying the expenditure limitation rate by the adjusted revenue estimate that is established by the Revenue Estimating Conference (REC). For example, the current adjusted revenue estimate for FY 2005 is \$4.550 billion. Under current law, the Governor and the General Assembly can only appropriate \$4.505 billion (99.0%) for FY 2005, leaving \$45.5 million (1.0%) as an ending balance.

Effective Date

The Bill has an effective date of December 15, 2004, which would require the Governor and the General Assembly to use the 98.0% expenditure limitation rate for developing the State's FY 2006 budget.

Fiscal Impact

By lowering the expenditure limitation percentage from 99.0% to 98.0%, the General Assembly and the Governor would be required to reduce General Fund appropriations by an additional \$45.5 million for FY 2006. This assumes the adjusted revenue estimate established by the REC in December 2004 is the same as the FY 2005 estimate.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: David Reynolds (Ext. 16934)

FY 2003 LEGISLATIVE INTENT LANGUAGE

Sections Identified



The Fiscal Services Division of the Legislative Services Agency (LSA) identified 394 sections of Legislative Intent Language in FY 2003 Appropriations Acts, passed by the General Assembly in 2002, that is categorized as follows:

- **Compliance** – The Department performed as required by the intent language.
- **Non-Compliance** – The Department did not perform the intent language as required.
- **In Progress** – The Department is in the process of performing the intent language required, but had not fulfilled the requirement by the end of FY 2003.
- **Other** – The Department has not complied because the Governor vetoed the language, or the Department was unable to comply due to unusual circumstances.

Compliance of Sections

State Departments complied with 377 sections and did not comply with four. The remaining 13 sections fell under the "Other" category. For those Departments that did not comply with certain section requirements, a separate analysis is included in this issue of *Fiscal Update*.

Department/Agency Listing The table below lists the number of legislative intent language sections by Department, in addition to the number of sections by category.

<u>Department/Agency</u>	<u>Compliance</u>	<u>Non-Compliance</u>	<u>In Progress</u>	<u>Other</u>	<u>Total</u>
Agriculture	7			1	8
Auditor	1				1
Board of Regents	17			1	18
Civil Rights Commission	2				2
Commerce	4				4
Corrections	27	1			28
Cultural Affairs	1			2	3
Economic Development	11				11
Education	10			2	12
Elder Affairs	6				6
General Services	5			2	7
Gov's Office of Drug Control Policy	9			1	10
Human Rights	5			1	6
Human Services	130			1	131
IA Comm. Network (ICN)	5				5
IA Law Enforcement Academy	3	1			4
Info. Technology Dept. (ITD)	2			1	3
Inspections & Appeals	6			1	7
Judicial Branch	12				12
Justice	9				9
Management	2				2
Natural Resources	2				2
Parole Board	1				1
Personnel	2	1			3
Public Defender	1				1
Public Defense	3				3
Public Health	66				66
Public Safety	5	1			6
Regents Economic Development	8				8
Revenue	2				2
Secretary of State	2				2
Transportation	2				2
Treasurer	3				3
Veterans Affairs	3				3
Workfore Development	3				3
TOTAL	<u>377</u>	<u>4</u>	<u>0</u>	<u>13</u>	<u>394</u>

More Information Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM – FY 2003 LEGISLATIVE INTENT LANGUAGE

IPERS The Fiscal Services Division of the Legislative Services Agency (LSA) identified two sections of intent language in HF 2627 (FY 2003 Omnibus Appropriations Act), passed by the General Assembly in 2002, for the Iowa Public Employees' Retirement System (IPERS).

Noncompliance The IPERS did not comply with Section 16 in HF 2627, which required the IPERS to conduct a Deferred Retirement Option Program (DROP) Study and a Terminated Vested Member Study.



The IPERS terminated work on the studies due to the altered fiscal demographics and national policy environments.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Ron Robinson (Ext. 16256)

DEPARTMENT OF CORRECTIONS – FY 2003 LEGISLATIVE INTENT LANGUAGE

Intent Language



The Fiscal Services Division of the Legislative Services Agency (LSA) identified 27 sections of intent language in HF 2627 (FY 2003 Second Omnibus Appropriations Act), and one section in SF 36 (FY 2003 Non-Medicaid Supplemental Appropriations Act), passed by the General Assembly in 2002, for the Department of Corrections (DOC) and the Community-Based Corrections (CBC) District Departments. The DOC and CBC District Departments complied with all sections except one.

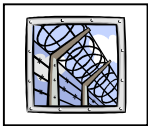
Compliance

The following highlights the areas of compliance:

Federal Receipts

SF 36, Section 5: Amends Chapter 1001, Section 39, 2002 Iowa Acts, Second Extraordinary Session, to permit the DOC to retain federal receipts in excess of \$3.4 million. The DOC contracts with the federal Bureau of Prisons and the United States Marshal's Service to house federal prisoners and detainees. Approximately 200 federal detainees are held in Iowa prisons at any given time. Senate File 36 (FY 2003 Non-Medicaid Supplemental Appropriations Act) permitted the DOC to retain federal receipts in excess of \$3.4 million. The DOC received \$365,000 in FY 2003 from these receipts for the Inmate Education Program.

Clarinda Academy

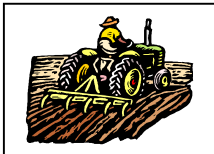


HF 2627, Section 155.1(g): Requires the Clarinda Youth Academy to reimburse the DOC for facility operating costs. The Clarinda Youth Academy reimbursed the DOC \$999,000 in FY 2003. This is a decrease of \$201,000 (16.8%) compared to the FY 2002 reimbursement. The decrease is due to fewer students at the Academy in FY 2003. The average number of students per day was 213 in FY 2002 and 173 in FY 2003.

Risk Assessment Model

HF 2627, Section 156.1(a): Requires the DOC to monitor the CBC District Departments' use of the risk/needs assessment model. The language permits the DOC to override a District Department's classification upon notice to the District Department. The DOC has not overridden any CBC District Department's classification decisions. The DOC did indicate that due to budget reductions, there is no staff remaining in Central Office to perform this task.

Prsion Farms



HF 2627, Section 156.5: Specifies that the DOC shall continue farm operations at the same or greater level as existed on January 1, 2002. The DOC is prohibited from renting farmland that is not currently rented without legislative approval. Iowa Prison Industries opened the Newton Farm in FY 2001. Options to increase farm operations' solvency and inmate employment are being researched. This includes gardens, livestock management, organic farming, building repairs, and grounds work. During calendar year 2002, inmates worked a total of 142,000 hours on the farms. This is the equivalent of 113.0 FTE positions and 18.0 part-time FTE positions. The majority of inmates who work on the farms are paid from other sources, such as the Institutions, Department of Natural Resources, or Iowa Prison Industries. There was an average of 8.0 FTE positions

(inmates) paid from the Farm Account Revolving Fund during FY 2003. This is an increase of 3.6 (79.1%) FTE positions compared to FY 2002.

Prison Products

HF 2627, Section 159: Encourages State agencies to purchase Iowa Prison Industries' products whenever possible. Total sales to State agencies were \$7.8 million in FY 2003, which is a decrease of \$2.0 million (20.4%) compared to FY 2002. Four State agencies, including the Departments of Corrections, Human Services, Transportation, and the Board of Regents, comprise 80.2% of total State agency sales.

Prison Industries



Noncompliance

HF 2627, Section 159.3: Requires all State agencies to report FY 2002 purchases from Iowa Prison Industries to the LSA by January 15, 2003. Most, but not all, State agencies reported purchase amounts to the LSA. Iowa Prison Industries monitors purchases made by each State agency and provides a report to the LSA.

HF 2627, Section 157.4: Requires each CBC District Department to continue the Treatment Alternatives to Street Crimes (TASC) Program. The Third, Fifth, and Eighth CBC District Departments eliminated the Program due to budget reductions. This intent language was eliminated by the Justice System Appropriations Subcommittee in SF 439 (FY 2004 Justice System Appropriations Subcommittee Act).

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

DEPARTMENT OF JUSTICE – FY 2003 LEGISLATIVE INTENT LANGUAGE

Intent Language



The Fiscal Services Division of the Legislative Services Agency (LSA) identified nine sections of intent language in HF 2627 (FY 2003 Second Omnibus Appropriations Act), passed by the General Assembly in 2002, for the Department of Justice. All sections were in compliance. Highlights include:

Iowa Competition

HF 2627, Section 152.2: Provides a contingent appropriation of \$200,000 for the enforcement of the Iowa Competition law. The appropriation is contingent upon the receipt of damages due to anti-trust lawsuits. The year-end balance of funds carries forward to the next fiscal year. The Department carried forward \$70,000 from FY 2002 to FY 2003 and received \$391,000 into the Anti-Trust Fund in FY 2003. The Department expended \$192,000 in FY 2003, and had a carry forward balance of \$269,000 for FY 2004.

Consumer Fraud



HF 2627, Section 152.3: Provides a contingent appropriation of \$1.2 million for consumer fraud education. The appropriation is contingent upon receipt of damages due to consumer fraud lawsuits. The year-end balance of funds carries forward to the next fiscal year. The Department carried forward \$999,000 from FY 2002 to FY 2003 and received \$952,000 into the Consumer Education and Litigation Fund in FY 2003. The account earned \$29,000 in interest. Expenditures were \$1.1 million for FY 2003 and included \$918,000 as reimbursement to the Office of the Attorney General, and \$138,000 was returned to victims of consumer fraud. The FY 2003 year-end balance of \$924,000 carried forward to FY 2004.

Care Provider Grants

HF 2627, Section 152.4(a): Requires that grants be awarded to care providers of domestic abuse, sexual assault, and rape victims. During FY 2003, domestic abuse grants were awarded to 33 programs, and sexual assault grants were awarded to 33 programs.

Victim Compensation

HF 2627, Section 152.4(b): Permits 22.0 FTE positions to be funded from the Victim Compensation Fund. The FTE cap includes 20.0 FTE positions in the Crime Victim Assistance Division and 2.0 FTE positions (Victim Witness Coordinators) in the Area Prosecutions Division. The Department utilized 21.4 FTE positions in FY 2003.

Environmental Crimes



HF 2627, Section 153: Provides a contingent appropriation of \$20,000 for investigation and prosecution of environmental crimes. The appropriation is contingent upon receipt of contributions, court-ordered restitution, and consent decrees as a part of civil or regulatory enforcement actions. The year-end balance of funds carries forward to the next fiscal year. The Department carried forward \$2,000 from FY 2002 to FY 2003 and received \$13,000 during FY 2003. The Department expended \$700 and had a carry forward balance of \$15,000 for FY 2004.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

IOWA LAW ENFORCEMENT ACADEMY – FY 2003
LEGISLATIVE INTENT LANGUAGE

Intent Language

The Fiscal Services Division of the Legislative Services Agency (LSA) identified four sections of intent language in HF 2627 (FY 2003 Second Omnibus Appropriations Act), passed by the General Assembly in 2002, for the Iowa Law Enforcement Academy (ILEA). The ILEA and the Department of Public Safety (DPS) were in non-compliance with one section.

Vehicles



The intent language allowed the ILEA to annually select at least five vehicles turned into the State Vehicle Dispatcher by the DPS and exchange the vehicles for any of the ILEA's training vehicles. A request was made in spring 2003 for five vehicles with the expected delivery time of late summer 2003. No vehicles have been delivered to date and are needed by the ILEA. The DPS is looking into the matter.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

DEPARTMENT OF PUBLIC DEFENSE – FY 2003
LEGISLATIVE INTENT LANGUAGE

Intent Language

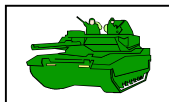


The Fiscal Services Division of the Legislative Services Agency (LSA) identified three sections of intent language in HF 2627 (FY 2003 Second Omnibus Appropriations Act), passed by the General Assembly in 2002, for the Department of Public Defense. Highlights include:

- Intent language in HF 2627 allows the Military Division to incur a negative balance of up to \$500,000. The Military Division experienced the first FY 2003

negative balance on March 3, 2003. On June 30, 2003, the Division had a negative balance of \$1.0 million, which remained until September 23, 2003.

- The Military Division has been working on methods for improving cash management. In FY 2003, the timing of federal construction funds made cash flow difficult to maintain at FY 2002 levels. The situation should be improved for FY 2004 as the Division continues to work with the Department of Revenue and the United States Property and Fiscal Office. The Division will start drawing advances in federal funds related to some cooperative agreements in FFY 2005 and all agreements in FFY 2006.
- Intent language in HF 2627 required the Military Division to eliminate any FTE positions that had been vacant for more than 12 months. The Division eliminated three full-time FTE positions and several part-time FTE positions in FY 2003.



More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

PUBLIC STRATEGIES GROUP RECEIVES ADDITIONAL PAYMENTS

PSG Payments



The Fiscal Services Division of the Legislative Services Agency (LSA) received notification from the Department of Management (DOM) on December 19 regarding additional payments of \$855,000 paid to the Public Strategies Group (PSG) for services provided during the first six months of FY 2004.

Payment Criteria

The payment methodology used by the DOM to pay the PSG the maximum of \$6.4 million as authorized in the Smart Spending Addendum is as follows:

- A maximum of \$3.2 million may be certified by the DOM for payment based on increased savings or increased revenues for the General Fund.
- A maximum of \$3.2 million may be certified by the DOM for payment based on performance and outcomes. Payments allocated from the 5.0% for performance and outcomes will be based on a distribution of 45.0% for performance and 55.0% for outcomes.

Payment Calculations



Senate File 453 (Reinvention of Government Act) provided for total savings to the State of \$82.0 million minus the related investments specified in the Act of \$6.2 million for a net savings of \$75.8 million. If the PSG were to be paid 5.0% of this amount, the total the PSG would be eligible for would be \$3.8 million in each category above. However, as savings are certified and performance and outcome deliverables are certified as having been accomplished, the payments will be capped at the levels specified in the Agreement. Payments certified and made to date by category are listed below.

Savings and Revenues

Payments for Savings and Increased Revenues

- Local Government Savings – 5.0% of \$57.0 million (\$2.9 million).
- Charter Agency Savings – 5.0% of \$1.6 million (\$78,000).
- Child Welfare Redesign – 5.0% of \$10.0 million, which is \$500,000; however, the payment will be limited to \$248,000 so the total amount paid to the PSG for the

savings and increased revenues category stays at the contractually specified maximum of \$3.2 million.

- No further payments to the PSG will be made for additional savings or revenues generated; however, the PSG will continue to work toward the requirements of the Act in this area.

Performance Payments



Payments for Performance and Outcomes

- Performance payments based on the \$3.8 million that could have been received under the Act would be a maximum of \$1.7 million and has been divided into 12 monthly payments of \$142,000. The DOM certified the performance accomplishments for the first six months and has paid \$850,000. In any month the DOM does not certify satisfactory completion of the required deliverables for that month, \$50,000 of the \$142,000 payment will be withheld, until the DOM certifies the satisfactory completion of the required deliverables for that month.
- Outcome payments based on the \$3.8 million that could have been received under the Act would be a maximum of \$2.1 million. At present, no payments for outcomes have been made. As outcomes are certified as satisfactorily achieved, payments from this area will be made.
 - Note that these two areas under the Act had the possibility of certification of \$3.8 million in payments to the PSG; however, as soon as certifications of performance and outcomes total \$3.2 million, no further payments in these areas will be made.

More Information

A copy of the “Smart Spending Phase 2 Project Deliverables and Outcomes” report is available from the LSA upon request or by accessing the following web site at:

<http://staffweb.legis.state.ia.us/lfb/docs/GAweb/Reinvent/other.htm>.

STAFF CONTACT: Douglas Wulf (Ext. 13250) Sue Lerdal (Ext. 17794)

ISSUE REVIEW – TRAFFIC SAFETY PROGRAM FUNDING

Issue Review

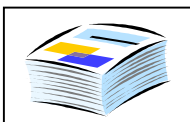


Federal Highway

The Fiscal Services Division of the Legislative Services Agency (LSA) recently published an *Issue Review* entitled, “Transportation Safety Program Funding,” which provides an overview of the funding provided for traffic safety projects throughout the State, including the federal Hazard Elimination Safety Program and the State Traffic Safety Improvement Program.

In calendar year 2003, the Federal Highway Administration began a campaign toward reducing major traffic injuries and fatalities, with the goal of reducing traffic fatalities nationally by 33.00% by 2008. Based on this initiative, additional infrastructure improvements and safety initiatives will be needed at the State and local levels to meet the goal. When the federal Transportation Equity Act of the 21st Century (TEA-21) is reauthorized in calendar year 2004, the Act will dedicate additional funding for improving highway infrastructure performance and maintenance.

Recommendation



The DOT asserts that half of the 1.0% of Road Use Tax Fund revenues allocated annually for the Traffic Safety Improvement Program (approximately \$5.0 million) is not sufficient to meet the goal of the Federal Highway Administration, including the traffic safety needs of local governments. The General Assembly may wish to consider following the federal government’s lead by providing additional funding for traffic safety by

increasing the current Road Use Tax Fund allocation for the State's Traffic Safety Improvement Program.

More Information

A copy of the *Issue Review* is available from the LSA upon request or by accessing the LSA web site at:

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

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

REQUIRED REPORT ON INDEPENDENT LIVING SERVICES RECEIVED FROM THE DEPARTMENT OF HUMAN SERVICES

Independent Living Report



House File 457 (Child Welfare Transition Act) required the Department of Human Services (DHS) to submit an annual report by January 1 to the Governor and the General Assembly regarding youth who received Independent Living services during the preceding fiscal year. Data from the Report is to be used as part of any evaluation of, or consideration for, improving these services.

Summary

The Report on youth receiving services in FY 2003 was received on time. For FY 2003, there were a total of 209 youth that received State-funded independent living services. The Report details the number of youth served by county and includes whether or not the services provided were voluntary or involuntary, as well as reasons for discharge. In addition, the report provides draft recommendations from an ad hoc task force that met in 2003 to assess the effectiveness of Independent Living services and make recommendations for improvement.

More Information

Copies of the Report or additional information are available from the LSA upon request.

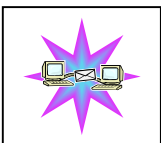
STAFF CONTACT: Lisa Burk (Ext. 17942)

REQUIRED REPORT ON ELECTRONIC BENEFIT SYSTEM FOR CHILD CARE PROVIDERS RECEIVED

System Requirement

Senate File 453 (Reinvention of Government Act) required the Department of Human Services (DHS) to develop a plan and submit a report by January 1 to the Governor and the General Assembly regarding an electronic billing and payment system for child care providers.

Receipt of Report



The Report was received on time and outlines the benefits of an electronic system for families, providers, and the State. In addition, the Report provides background information on the State's current child care information technology system, and describes the technology improvements and costs that would be associated with the development of an electronic child care system.

Information Gathering

During the 2003 Legislative Interim, the DHS issued a Request for Information (RFI) in order to review other states' experiences in developing systems of this nature; to receive information on current system capabilities; and to review the system options available through corporate vendors.

Fiscal Impact

Based on the review of comprehensive child care systems developed in other states, the DHS estimates that the one-time development costs for a system of this nature in Iowa would range from \$3.0 to \$8.0 million, if a vendor's existing framework is used and then customized to meet Iowa's needs. The DHS also estimates that maintenance costs for the new system could cost up to \$2.0 million per year; however, it is difficult to estimate maintenance costs until contract bids are received.

More Information

Copies of the Report or additional information are available from the LSA upon request.

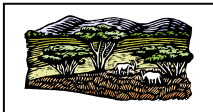
STAFF CONTACT: Lisa Burk (Ext. 17942)

**LOESS HILLS DEVELOPMENT AND CONSERVATION
 AUTHORITY ANNUAL REPORT**

Annual Report

The Loess Hills Development and Conservation Authority submitted the annual report as required by Section 161D.8, Code of Iowa. The Annual Report includes information relating to the Authority's budget, operations, and accomplishments.

Appropriations



The Authority implements objectives through two organizations: the Hungry Canyons Alliance, and the Loess Hills Alliance. Since FY 1996, the General Assembly has annually appropriated funds to the Loess Hills Development and Conservation Authority. The appropriations have come from a variety of sources. Most recently, the appropriations have come from the Environment First Fund. In FY 2003, no funding was provided due to State budget constraints. Since FY 2000, the legislation appropriating funds to the Authority has allocated specified amounts to the Hungry Canyons Alliance and the Loess Hills Alliance. The following table lists the State appropriations since FY 1996:

**Loess Hills Development and Conservation Authority
 State Appropriations**

	Hungry Canyons	Loess Hills Alliance	Total	Source
FY 1996	\$ 400,000	\$ 0	\$ 400,000	WPF
FY 1997	400,000	0	400,000	WPF
FY 1998	1,142,500	0	1,142,500	RIIF/WPF
FY 1999	1,200,000	0	1,200,000	RIIF
FY 2000	1,500,000	500,000	2,000,000	RIIF
FY 2001	1,500,000	500,000	2,000,000	RIIF
FY 2002	441,667	220,717	662,384	EFF
FY 2003	0	0	0	EFF
FY 2004	400,000	200,000	600,000	EFF
Total	\$ 6,984,167	\$ 1,420,717	\$ 8,404,884	

WPF = Water Protection Fund
 RIIF = Rebuild Iowa Infrastructure Fund
 EFF = Environment First Fund



Report Overview

The Annual Report identifies State, federal, and local sources of revenues associated with the Hungry Canyons Alliance and the Loess Hills Alliance; how the funds were expended during FY 2002 and FY 2003; and plans for implementing the programs in FY 2004.

More Information

Copies of the Report or additional information are available from the LSA upon request.

STAFF CONTACT: David Reynolds (Ext. 16934)

SOUTHERN IOWA DEVELOPMENT AND CONSERVATION AUTHORITY ANNUAL REPORT

Annual Report

The Southern Iowa Development and Conservation Authority submitted the annual report as required by Section 161D.13, Code of Iowa. The report identifies the FY 2003 budget and accomplishments for FY 2003. The Authority did not receive an appropriation from the State in FY 2003 due to State budget constraints. However, in FY 2002, \$221,000 was appropriated to the Authority and \$300,000 was appropriated in FY 2004.

Mission Statement

The mission of the Southern Iowa Development and Conservation Authority is "to develop and coordinate plans for projects related to the unique natural resources, rural development, and infrastructure problems of counties in the fragile areas of the southern Iowa drift plain."

More Information

Copies of the Report or additional information are available from the LSA upon request.

STAFF CONTACT: David Reynolds (Ext. 16934)

STUDIES COMPLETED ON COUNTY ISSUANCE OF DRIVERS' LICENSES

County Drivers' Licenses

Senate File 97 (FY 2004 Department of Transportation Omnibus Act) required the Department of Transportation (DOT), in consultation with the Iowa County Treasurers Association, to conduct a study of the county drivers' license issuance program to verify the average cost for each driver's license or non-driver identification card issued. For FY 2004 and FY 2005, the counties that issue driver's licenses through County Treasurer offices are to retain \$5.00 for each license. In FY 2006 and beyond, counties will retain \$3.75, the same amount obtained prior to FY 2004. Currently, 81 counties issue licenses through County Treasurer offices, and permanent DOT stations are located in the remaining 18 counties.

Studies Completed

The DOT, in cooperation with the Iowa County Treasurers Association, completed the "County Driver License Study." In addition to this study, the County Treasurers Association conducted a separate study entitled, "Treasurers' Consultant Report."

DOT Study

The DOT surveyed nine counties based on identification cards and licenses issued in 2002 using high, medium, and low issuing counties, and involved activity time, compensation, and activity cost surveys. The study, which was cooperatively developed and agreed to by the DOT and a committee of County Treasurers, concluded that the average cost for each driver's license or non-driver identification card issued is \$3.85. A copy of the report can be found at:

http://publications.iowa.gov/archive/00000634/01/treasurers_consultat_report.doc.



Treasurer's Study

The Iowa County Treasurer's Association hired a consultant at a cost of \$6,000 to assist in this study. The study involved 80 counties that were issuing drivers' licenses through County Treasurer offices. The final report includes responses from 48 counties. The study concluded that the average cost for each driver's license or non-driver identification card issued is \$10.77, which includes employee salaries and benefits only. When indirect costs are included, such as travel, supplies, and equipment not covered by the State, the study determined the cost per issuance is \$13.91. A copy of the report can be found at:
<http://www.testdot.state.ia.us/repository/download.htm>.

More Information

Copies of the reports or additional information is available from the LSA upon request.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

TREASURER OF STATE ISSUES REQUEST FOR PROPOSAL

Request for Proposal



The Treasurer of State issued a Request for Proposal (RFP) on January 6 to solicit proposals from financial institutions for cash management and banking services for the State. The notice of award is scheduled for April 5, 2004, and the successful bidder will enter into a four-year contract effective July 1, 2004. The cost of the contract for FY 2003 was \$430,000, which was paid from the Investment Income Account.

More Information

The RFP may be reviewed on the Treasurer of State's web site at:
http://www.treasurer.state.ia.us/rfp/cash_management_services.doc

Additional information is available from the LSA upon request.

STAFF CONTACT: Sam Leto (Ext. 16764)

STATE SOIL CONSERVATION COMMITTEE MEETING

Conservation Committee

The State Soil Conservation Committee met on January 8 and discussed the following:

FY 2005 Budget



Bill Ehm, Division Administrator, reported that the FY 2005 Soil Conservation Division budget would not increase compared to FY 2004, which will create financial difficulties, as employees will receive a 2.5% salary increase for FY 2005. Ehm and Soil Conservation Division personnel have been reviewing staff requirements to determine if any positions can be eliminated. Ehm also reported that the Department of Management (DOM) would fund obligated projects that receive funding from the Environment First Fund; however, no new funding will be available. This relates to an Iowa Supreme Court ruling regarding taxation of racetrack casinos at a higher rate than riverboat casinos. As of January 1, 2004, the case has not been resolved, resulting in decreased funding to the Environment First Fund.

Financial Incentives

Bill McGill, Soil Conservation Division, reported that all Soil Conservation Districts have been asked to submit a summary of unobligated funds as of December 31, 2003, for the Soil Conservation Cost Share Program. The District amounts will be summarized and reported to the DOM. Unobligated

funds will then be reallocated to the Soil Conservation Districts on February 1, 2004.

Mines and Minerals



Ken Tow, Soil Conservation Division, reported that a federal grant application for \$1.8 million was submitted to the Office of Surface Mining. As Congress has not approved the FFY 2004 budget, the status of the grant is unknown. If approved, reclamation projects will begin in spring 2004.

Dean Lemke, Soil Conservation Division, reported that five sites enrolled in the Conservation Reserve Enhancement Program (CREP) would continue to receive funding from the Environment First Fund. These projects are in the construction phases. Lemke also reported there are a number of projects in the surveying or engineering stage that will not receive funding.

Next Meeting

The next meeting is scheduled for January 28 in Des Moines.

More Information

Additional information is available from the LSA upon request. For review of Commission agendas and other related information, access the web site at: <http://www.agriculture.state.ia.us/sccommittee.htm>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

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