

# FISCAL UPDATE

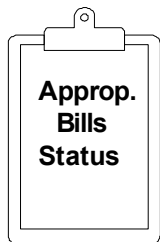
February 23, 2004

Legislative Services Agency

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

## STATUS OF APPROPRIATIONS BILLS



Appropriations Subcommittee Bills		
Appropriations Subcommittee	LSB/File#	Status
Transportation	SF 2112	Passed Senate on February 17.
Other Appropriations Bills		
98.0% General Fund Expenditure Limitation	HF 2039	Item vetoed and signed by the Governor on February 12.
Birth Certificate Registration Fees	SF 2059	Passed House Appropriations Committee on February 18.
FY 2006 Allowable Growth Rate	SF 2124	Passed House and Senate on February 17.
Public Health Disaster Funding	SF 2153	Passed Senate Appropriations Committee on February 18.

## SENATE AND HOUSE PASS FY 2006 ALLOWABLE GROWTH RATE BILL – SF 2124

### Allowable Growth



The Senate and the House passed Senate File 2124 (FY 2006 Allowable Growth Rate Bill) on February 17. The Bill does the following:

- Sets the FY 2006 allowable growth rate at 2.0%, which increases the school district cost per pupil by \$95.00 compared to the FY 2005 amount. The FY 2006 State cost per pupil will be \$4,836. The following occurs with 2.0% allowable growth:
  - State Foundation Aid is projected to total \$1.937 billion, an increase of \$44.7 million (2.4%) compared to FY 2005.
  - Foundation Property Tax is projected to total \$1.031 billion, an increase of \$12.1 million (1.2%) compared to FY 2005.
  - The budget guarantee will total \$32.9 million and will be eligible to 246 school districts. This amount is included in the Foundation Property Tax total.
- Changes the timeframe for setting the allowable growth rate so the rate will be set one year in advance instead of two years in advance beginning with the FY 2007 budget year.
- Makes appropriations for FY 2005 and FY 2006 and reduces funding for Area Education Agencies as follows:

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- Caps the FY 2005 State Foundation Aid at \$1.881 billion. This amount is \$11.5 million less than the projected amount generated by the School Foundation Aid Formula.
- Caps the FY 2006 State Foundation Aid at \$1.926 billion. This amount is \$11.4 million less than the projected amount generated by the School Foundation Aid Formula.
- Reduces funding for Area Education Agencies through the School Foundation Aid Formula by \$11.8 million for FY 2005 and future years.
- Requires school districts to spend \$10.0 million of State Foundation Aid on textbooks and supplies. The allocation is made on a per pupil basis.
- Eliminates the 30-day deadline for enacting the FY 2006 allowable growth rate and the requirement that the rate be the only subject matter of the Bill for the 2004 Legislative Session.

**School Districts**

Allowable growth rate estimates for school districts for FY 2005 and FY 2006 are available on the Legislative Services Agency (LSA) web site at: [http://staffweb.legis.state.ia.us/lfb/subcom/ed\\_standing/spreadsheets.htm](http://staffweb.legis.state.ia.us/lfb/subcom/ed_standing/spreadsheets.htm).

**Bill Summary**



The Notes on Bills and Amendments (NOBA) for SF 2124 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/index.jsp>.

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**SENATE PASSES TRANSPORTATION APPROPRIATIONS BILL – SF 2112**

**Transportation Bill**



The Senate passed Senate File 2112 (FY 2005 Transportation Appropriations Bill) on February 17. The Bill appropriates a total of \$274.1 million to the Department of Transportation (DOT), which includes \$41.2 million from the Road Use Tax Fund, \$232.9 million from the Primary Road Fund, and 3,421.0 FTE positions. This is a decrease of \$7.5 million (2.7%) and 21.0 (0.6%) FTE positions compared to estimated net FY 2004. The following table summarizes the appropriations.

**Bill Summary**

The Notes on Bills and Amendments (NOBA) for SF 2112 is available on the

**Department of Transportation**  
(in millions)

	<b>Estimate Net FY 2004</b>	<b>Proposed Legis. Action FY 2005</b>	<b>Change</b>	<b>Percent Change</b>
Road Use Tax Fund	\$ 46.2	\$ 41.2	\$ -5.0	-10.8%
Primary Road Fund	235.4	232.9	-2.5	-1.1%
<b>Total</b>	<b>\$ 281.6</b>	<b>\$ 274.1</b>	<b>\$ -7.5</b>	<b>-2.7%</b>

LSA web site at: <http://www3.legis.state.ia.us/noba/index.jsp>.



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## ECONOMIC DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE MEETING

### Subcommittee Meeting



### Workforce Development

The Economic Development Appropriations Subcommittee met on February 18 and heard budget presentations from the Public Employment Relations Board and the Departments of Economic Development and Workforce Development. The Departments' budget requests restore the Governor's FY 2004 across-the-board reduction for FY 2005. The Governor's FY 2005 recommendations include the following significant General Fund changes:

#### Workforce Development

- An increase of \$180,000 and 5.0 FTE positions for the Labor Services Division for Safety/Health Consultants.
- An increase of \$120,000 and 1.0 FTE position for the Worker's Compensation Division for a Deputy Commissioner.

### Econ. Development

#### Economic Development

- An increase of \$23.0 million for deposit into the Grow Iowa Values Fund. House File 683 (FY 2004 Grow Iowa Values Fund Act) appropriated this amount to the Fund contingent on an increase of greater than 2.0% in sales and use tax revenue compared to the previous fiscal year. The Governor is recommending this funding without consideration of the revenue increase required by statute.
- An increase of \$500,000 for the Community and Rural Development Division for tourism advertising.

### More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the LSA web site at:  
[http://staffweb.legis.state.ia.us/lfb/subcom/econ\\_dev/econ\\_dev.htm](http://staffweb.legis.state.ia.us/lfb/subcom/econ_dev/econ_dev.htm).

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## HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE MEETING

### Subcommittee Meeting



### More Information

The Health and Human Services Appropriations Subcommittee met the week of February 16 and conducted the following business:

- On February 18, staff from the Legislative Services Agency (LSA) provided an overview of programs and funding for the Department of Public Health.
- On February 19, Director Patrick Palmersheim provided information regarding the Veterans Affairs Commission. In addition, LSA staff reviewed funding provided from the Healthy Iowans Tobacco Trust Fund.

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the LSA web site at:  
[http://staffweb.legis.state.ia.us/lfb/subcom/human\\_serv/human\\_serv.htm](http://staffweb.legis.state.ia.us/lfb/subcom/human_serv/human_serv.htm).

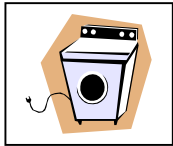
STAFF CONTACT: Lisa Burk (Ext. 17942) Jennifer Vermeer (Ext. 14611)  
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## **GLENWOOD RESOURCE CENTER LEASE PURCHASE NOTIFICATION**

### **Lease Purchase**



The Department of Human Services (DHS) submitted a lease purchase notification for energy-related improvements at the Glenwood Resource Center. The funds will be used to replace a chiller, boiler, and clothes dryers.

The total cost of the lease is estimated at \$736,000, which includes \$490,000 in principal and \$246,000 in interest. The lease purchase will be financed at an estimated rate of 4.75% over a 20-year period. The annual debt service payments will total \$47,000.

### **Fiscal Impact**

The DHS is receiving assistance from the State of Iowa Facilities Improvement Corporation (SIFIC), which projected annual energy savings of \$47,000 and a simple payback of 9.7 years.

### **More Information**

Copies of the materials submitted by the SIFIC and the DHS are available from the LSA upon request.

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## **BOARD OF REGENTS MEETING**

### **Board Meeting**

The Board of Regents met on February 18 and 19 at the University of Iowa (SUI) in Iowa City. Significant agenda items included:

### **Personnel**

Personnel Transactions as follows:

- Approved the appointment of Michael Hogan as Provost at SUI, beginning July 1, 2004, at an annual salary of \$260,000. Hogan was recently employed at Ohio State University as a history professor and Executive Dean of the Colleges of the Arts and Sciences.
- Approved the appointment of Thomas Evans, Jr., as Director of Legal Affairs and Human Resources at the Board Office, effective March 29, 2004, at an annual salary of \$99,000. Evans was recently employed as Director of Human Resources for Polk County.

### **Radio Station Reports**



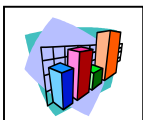
The Report on Radio Stations contains general information about the following radio stations:

- SUI – KSUI and WSUI
- Iowa State University (ISU) – WOI-AM, WOI-FM, KTPR-FM, and KWOI-FM
- University of Northern Iowa (UNI) – KUNI-FM, KUNY-FM, KHKE-FM, and KRNI-AM.

### **Radio Station Purchase**

The Board also gave approval for ISU to purchase the license and assets of radio station KIIC-FM in Osceola.

### **Accreditation Report**



Accreditation Reports for the following SUI units:

- College of Public Health
- College of Engineering

- Bachelor of Science in Leisure Studies

### Revised Budgets

The Board approved the revised FY 2004 Budgets. The revised budgets were necessary to account for the 2.5% across-the-board General Fund reduction ordered by the Governor in October 2003. Total reductions approved by the Board were \$18.9 million, with \$15.5 million due to State appropriation reductions and \$3.4 million due to other revenue reductions.

### Financial Aid

The Report on Tuition and Financial Aid Policy Review provided an overview of recommendations from the Board Office regarding timing and policies related to setting rates for tuition and fees. The Board Office recommended that the final deadline for setting tuition rates be changed from the current statutory deadline of November of the previous year to March of the same year the rate will go into effect.

### Banking Committee



The Banking Committee recommended and the Board approved the following:

- \$3.9 million of Student Health System Revenue Bonds for UNI.
- \$10.0 million of Field House Revenue Bonds for UNI.
- \$25.0 million of Utility System Revenue Bonds for SUI.
- Early redemption of \$5.3 million of outstanding Dormitory Revenue Bonds for ISU. Funds for the redemption would include \$1.3 million of the FY 2004 scheduled debt payment and \$4.0 million from voluntary reserve funds.

### Next Meeting

The next meeting is scheduled for March 10 at Drake University in Des Moines.

### More Information

Copies of the Board of Regents meeting materials, including the full text of most docket items are available on the Board of Regents web site at: <http://www2.state.ia.us/regents/>.

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## NATIONAL CONFERENCE OF STATE LEGISLATURES (NCSL) RELEASES STATE BUDGET UPDATE

### NCSL Report Released

The National Conference of State Legislatures (NCSL) released the “**State Budget Update: February 2004**” on February 19. Based on information collected from fiscal officers across the country, the report provides data on the revenue and expenditure situations for states in the first half of FY 2004. It includes information on budget gaps, spending overruns, state revenue performance and the revenue outlook for the remainder of FY 2004.

### Fiscal Crisis Slowing?

The report concludes that the fiscal crisis appears to be slowing across the nation, at least in the near term, and the worst may be over. State revenues for FY 2004 appear to have stabilized for the majority of states; 38 states report that revenues are stable or improving and some states are now optimistic about revenues. Last year at this time, only 13 states reported stable or optimistic revenues. Since December, revenues in Iowa have been on target with the estimate, but the Fiscal Services Division continues to be concerned about revenue performance for the remainder of the fiscal year.

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<b>FY 2004 Budget Gaps</b>	Eighteen states have experienced budget gaps so far in FY 2004, down from 36 states at this time last year. Iowa is one of five states (the others are Maine, Maryland, Michigan, and Missouri) that have taken action with the Governor to close their budget gap. Thirty states anticipate ending FY 2004 with a budget surplus. Given current revenue projections, it is estimated that Iowa's General Fund ending balance will be \$3.8 million. The Revenue Estimating Conference meets again on March 19.
<b>FY 2005 Budget Gaps</b>	According to the report, for FY 2005, 31 states project budget gaps, but the magnitude of the imbalances is less than it was at the same time last year. At least 15 states will consider tax proposals during their 2004 Legislative Sessions to either shore up the General Fund or provide funding for specific state programs. Many of these proposals target cigarette taxes or other narrow taxes. Nineteen states are expecting to examine gaming proposals to include new or additional slot machines, expand gambling at racetracks and multi-state lotteries.
<b>Iowa</b>	In Iowa, the Governor proposed revenue adjustments of \$283.1 million, including \$208.3 million from sales tax expansion to services not currently taxed and \$84.1 million from a 60-cent per pack increase in the cigarette tax to close the projected shortfall of \$265.0 million for FY 2005. To date, no revenue adjustments have been passed by the Legislature.
<b>Copies Available</b>	Copies of the "State Budget Update" are available on the NCSL web site: <a href="http://www.ncsl.org/Legis/FISCAL/sbu2004.pdf">http://www.ncsl.org/Legis/FISCAL/sbu2004.pdf</a> or contact the Fiscal Services Division for more information.

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