GOVERNOR SIGNS AND ITEM VETOES OMNIBUS APPROPRIATIONS ACT – SF 2298

Omnibus Appropriations

The Governor signed and item vetoed SF 2298 (FY 2005 Omnibus Appropriations Act) on May 20. Senate File 2298 appropriates a total of $2.462 billion from the General Fund, $733.3 million from non-General Fund sources, and 35,207.6 FTE positions for FY 2005. In addition to the $2.462 billion appropriated from the General Fund in this Act, there are standing appropriations totaling $2.002 billion for FY 2005. The General Fund appropriation budget for FY 2005 totals $4.464 billion, which represents a decrease of $28.0 million compared to the total estimated appropriations for FY 2004. The following provides a summary by each Division of the Act. Item vetoes are in italics.

Division I

Administration and Regulation Appropriations—The Act appropriates a total of $92.0 million from the General Fund and 1,623.3 FTE positions to the Administration and Regulation Appropriations Subcommittee. This is a decrease of $3.1 million and 333.2 FTE positions compared to the estimated net FY 2004 appropriations.

Item Vetoes

The Governor approved the appropriations in Division I, but item vetoed the following:

- Language requiring the Department of Administrative Services (DAS) to return $1.9 million to the General Fund at the close of FY 2005 that was appropriated for start-up funding for the Department's revolving funds. The Governor stated that the Department needs the funds for more than a single year.

- Language prohibiting the Department of Commerce's Alcoholic Beverages Division from adding new positions for the purpose of the State assuming the State Liquor Warehouse functions currently provided by a private contractor. The Section also required the Division to use a competitive process to select a successor private contractor to perform the State Liquor Warehouse functions. The Governor stated that while he supports the competitive bidding process, he wants the State to have the flexibility to participate in the process.

- Language making a contingent appropriation to the Department of Commerce's Insurance Division to conduct a study regarding the cost of health insurance premiums for businesses and individual customers in the State, in accordance...
with HF 2521 (Insurance Value Initiative Bill). The Governor stated that since HF 2521 was not enacted, this Section is unnecessary.

- Language making an appropriation of $50,000 to the Department of Revenue to administer the State Tax Implementation Committee and to purchase data necessary for the Committee. The Governor stated the resources and the timeframe are inadequate to accomplish the required study.

- Language making the State Liquor Warehouse functions language effective upon enactment. The Governor stated that since the State Liquor Warehouse functions language was vetoed, this Section is unnecessary.

Division II

Agriculture and Natural Resources Appropriations—The Act appropriates a total of $34.2 million from the General Fund and 1,490.8 FTE positions to the Departments of Agriculture and Land Stewardship and Natural Resources. This is an increase of $17,000 and maintains the current level of FTE positions compared to the estimated net FY 2004 appropriations.

Division III

Economic Development Appropriations—The Act appropriates a total of $22.2 million and 407.6 FTE positions from the General Fund to the Departments of Economic Development and Workforce Development, the Public Employment Relations Board (PERB), and the Regents institutions economic development programs. This is a decrease of $273,000 and 6.0 FTE positions compared to the estimated net FY 2004 appropriations.

Item Vetoes

The Governor approved the appropriations in Division III, but Item vetoed the following:

- Language requiring the Department of Economic Development to develop performance measures to evaluate the Department's programs and activities. The Governor stated that this would duplicate efforts already underway through the Accountable Government Act.

- Language requiring that small business development centers be located equally throughout the different regions of the State. The Governor stated the legislation is vague, making compliance difficult.

- Language that would require any business or individual receiving benefits from specified Regent economic development programs to have a commercially viable service or product. The Governor stated this language would have an adverse impact on innovation and entrepreneurship.

- Language requiring the community college one source training initiative to explore a partnership with Software and Information Technology of Iowa to identify methods of funding the training and retraining needs of the information technology sector in Iowa. The Governor stated that giving a preference to one sector of the economy could cause a conflict between the sectors and between sectors and community colleges.

- Language requiring the Departments and Regents Institutions within the Economic Development Appropriations Subcommittee to submit expenditure and allocation reports to the Chairpersons and Ranking Members of the Subcommittee and to the Fiscal Services Division of the Legislative Services Agency (LSA). The Governor stated the information is readily available through the Iowa Financial and Accounting System (IFAS) and through direct request for information from the Regents.
Division IV

**Education Appropriations**—The Act appropriates a total of $891.9 million from the General Fund and 17,239.1 FTE positions to the College Student Aid Commission, the Departments for the Blind, Cultural Affairs, Education, and the Board of Regents. This is an increase of $11.5 million and no change in FTE positions compared to the estimated net FY 2004 appropriations. The Act also appropriates $2.3 million from the Healthy Iowans Tobacco Trust to the Department of Education and the Department for the Blind.

**Item Vetoes**

The Governor approved the appropriations in Division IV, but item vetoed the following:

- Language requiring the Department of Education to report on the feasibility of establishing at least one Statewide Teacher Intern Preparation Program and to seek federal funding. The Governor stated the Board of Education has already provided authority to implement such a Program.

- Language requiring the Board of Regents, the Department of Management, and the Legislative Services Agency (LSA) to determine the amount to be appropriated for tuition replacement. The Governor stated the Board now relies on a financial advisor to calculate that amount.

- Language that permitted the University of Iowa to spend up to $2.1 million of the General University appropriation for the School of Public Health and the Public Health Initiative. The Governor stated this restricted spending unnecessarily.

- Language that eliminated the term "physically deformed" from the list of conditions under which abortions may be performed on patients served by the Indigent Patient Care Program. The Governor stated the language was based on a previous agreement and eliminating it would disrupt the balance the agreement established.

- Language that permitted Iowa State University to spend up to $4.7 million of the General University appropriation for the Center for Excellence in Fundamental Plant Sciences. The Governor stated this restricted spending unnecessarily.

- Language that permitted the University of Northern Iowa to spend up to $450,000 of the General University appropriation for the implementation of the Masters in Social Work Program, up to $100,000 for the Roadside Vegetation Project, and up to $200,000 for the Iowa Office for Staff Development. The Governor stated this restricted spending unnecessarily.

- An extension to July 1, 2006, of the deadline for the Department of Education to implement an Evaluator Training Certification Renewal Program as part of the Student Achievement and Teacher Quality Program. The Department had indicated to the General Assembly that the Program’s FY 2005 General Fund appropriation would not permit meeting the original deadline of July 1, 2005. The Governor stated that private foundation funding may be available for this purpose.

Division V

**Health and Human Services Appropriations**—The Act appropriates $778.7 million from the General Fund and 6,655.6 FTE positions to the Departments of Elder Affairs, Public Health, and Human Services, the Commission of Veteran Affairs, and the Iowa Veterans Home. This is an increase of $28.2 million and 103.7 FTE positions compared to the estimated net FY 2004 appropriations.
Item Vetoes

The Governor approved the appropriations in Division V, but item vetoed the following:

- Language requiring the Department of Public Health to report on all organizations that applied for substance abuse treatment funds. The Governor stated these grants are required to be awarded on a competitive basis and the language was duplicative of requirements in HF 2577 (FY 2005 Healthy Iowans Tobacco Trust Appropriations Act).

- Language requiring the Department of Public Health to report on a collaborative effort with the Department of Human Services (DHS) to identify funding to be used to leverage additional federal funds for an AIDS drug assistance program. The Governor stated that drafting the required report would not be good use of staff time.

- Language requiring the Department of Public Health to employ an Administrator for the Division of Tobacco Use Prevention and Control. The Governor stated the language was duplicative, although not identical, to language in HF 2577 (FY 2005 Healthy Iowans Tobacco Trust Appropriations Act).

- Language regarding an Iowa Marriage Initiative Grant Fund that directs the DHS to initiate grants by specifying deadlines for issuing grants and reporting requirements. The Governor stated that funds from FY 2004 referred to in the Act have been expended and no additional funds were appropriated.

- Language requiring the Departments of Public Health and Human Services to submit a report regarding utilization of the Food Stamp Program. The Governor stated the report would utilize resources that could be used for Program administration.

- Language that eliminates a reason for which Medical Assistance (Medicaid) Program funds may be expended for an abortion. The Governor stated the language changed a long-standing agreement on the definition of “medically necessary” as applied to conditions for the termination of pregnancy under the Medicaid Program, and that federal regulations outline the conditions for the termination of pregnancy that qualify under Medicaid.

- Language that directed the DHS to convene a group to review the Iowa Juvenile Home at Toledo. The Governor stated that many previous studies have made recommendations that generally require additional funds to implement. Without additional funds, the Governor noted another study would serve no purpose.

- Language that directed the DHS to develop a plan to privatize the administration of foster care and adoption programs. The Governor stated that no additional funds were provided for this and with the child welfare redesign effort underway, implementation of a plan of this nature would be counter-productive.

- Language requiring the DHS to submit proposed legislation to correct Code of Iowa references related to services areas. The Governor stated this was accomplished with the enactment of HF 2390 (DHS Technical Changes Act).

- Language requiring unspent funds remaining in the Medical Assistance (Medicaid) Program at the close of FY 2004 to carryforward to FY 2005. The Governor stated this would not give the Executive Branch the flexibility needed to deal with the FY 2004 budget, and would provide the use of one-time funding for on-going purposes.

- Language establishing a new network of faith-based and community-based organizations using nine DHS staff that currently provide child abuse assessments and manage services to families. The Governor stated that no additional funds were appropriated for the new program.
• Language establishing a new Medical Assistance Mental Health Quality of Care Improvement Committee to advise the DHS on the required implementation of clinical treatment for various mental health disorders. The Governor stated the Legislature is sending mixed messages regarding drug utilization and that the proposal would put the current waiver and contract at risk.

• Language providing the enactment clause for the Section relating to the non-reversion and prohibited transfer of appropriations for the Medical Assistance (Medicaid) Program. The Governor stated this was unnecessary due to the item veto of the Section.

Other Appropriations

Other Funds appropriated to the DHS include:

• An appropriation of $148.4 million in Temporary Assistance to Needy Families (TANF) funds to the DHS. This is an increase of $1.7 million compared to the estimated net FY 2004 appropriation.

• An appropriation of $37.5 million from the Hospital Trust Fund for the Medical Assistance (Medicaid) Program. This is an increase of $8.5 million compared to the estimated net FY 2004 appropriation.

Division VI

Senior Living Trust Fund—The Act appropriates a total of $162.6 million from the Senior Living Trust Fund to the Departments of Commerce, Elder Affairs, Human Services, and Inspections and Appeals. This is an increase of $965,000 compared to the estimated net FY 2004 appropriations. The Governor item vetoed the $265,000 appropriation to the Department of Commerce stating that the appropriation was linked to SF 2183 (Long-Term Care Asset Disregard Program Act), which made changes to long-term care insurance provisions and provided asset and income disregards for Medicaid. The Governor vetoed SF 2183 on May 14, stating that the Bill expanded the proposed benefit beyond individuals accessing long-term care insurance and needed further legislative review.

Division VII

Mental Health Allowed Growth—The Act increases the appropriation for the FY 2006 Mental Health Allowed Growth by $4.8 million compared to the enacted FY 2005 Allowed Growth appropriation.

Division VIII

Judicial Branch Appropriations—The Act appropriates a total of $119.9 million from the General Fund to the Judicial Branch. This maintains the current level of General Fund support. Judicial Branch FTE positions are not appropriated in the Act; however, there are 1,922.9 FTE positions, which maintains the current level of FTE positions.

Division IX

Justice System Appropriations—The Act appropriates a total of $393.5 million from the General Fund and 6,114.3 FTE positions to the Justice System. This is an increase of $10.3 million and 66.5 FTE positions compared to the estimated net FY 2004 General Fund appropriation.

Item Vetoes

The Governor approved the appropriations in Division IX, but item vetoed the following:

• Language that granted immunity from civil or employer liability for a government entity or nonprofit organization using inmate labor.

• Language that redirected funds credited to the Motor Pool Depreciation Fund to the Department of Public Safety.
• Language relating to public road access for a person owning land that is surrounded by land owned by the Department of Natural Resources (DNR).

• Language that defined indigence for the purpose of appointing counsel at 100.0% of the U.S. poverty level, rather than 125.0%.

Division X

Standing Appropriations—The Act appropriates $2.131 billion from the General Fund, a decrease of $75.2 million compared to the estimated net FY 2004 Standing Appropriations.

The Governor approved the appropriations in Division X, but item vetoed the following:

• Language that required State agencies to revert salary funds when positions are vacant. The Governor stated this gives the departments few options other than cutting services and would limit the use of early out options to manage budget reductions.

• Language that created the Iowa Learning Technology Initiative, including an 18-member commission and a fund. The Governor cited the lack of State funding but offered support if private funds are raised.

• Language that required the Board of Regents to report regarding the impact of unfilled vacant FTE positions. The Governor stated that Regent Institutions are not provided appropriations based on specific positions, so the report would not be useful.

• Language that required the State Board of Education, Area Education Associations (AEAs), and individual school boards to submit data on salary contracts and group health insurance plans negotiated through collective bargaining to the Department of Education and specified members of the Education Standing and Education Appropriations Committees. The Governor stated this duplicates available information and is not necessary for policy development and decision-making.

• Language notwithstanding the 30-day deadline for enacting the allowable growth rate percentage and the requirement that the allowable growth rate is the only subject of the Bill. The Governor stated the delay hinders a school district’s ability to plan.

• Language that exempted nonmetallic processed materials (shredder fluff) from payment of a tonnage fee at landfills. The Governor stated that reducing the cost of disposal for one specific waste stream sets a precedent that is contrary to Iowa’s waste management hierarchy.

Division XI

Rebuild Iowa Infrastructure Fund (RIIF)—The Act appropriates $74.1 million from the RIIF. In addition, the General Assembly appropriated $750,000 for FY 2005 in prior legislative sessions. Together, these appropriations total $74.8 million, an increase of $51.2 million compared to the amount appropriated from the Fund in FY 2004.

Item Vetoes

The Governor item vetoed the following in Division XI:

• An appropriation of $1.8 million for the interior restoration of the Capitol Building. The Governor stated these funds were appropriated at the expense of fully funding the Secure an Advanced Vision for Education (SAVE) Fund.

• An appropriation of $250,000 to the DHS to provide a grant for the construction of a residential treatment facility for youth. The Governor stated construction of a
new facility is not a prudent use of tax dollars when existing facilities are closing
due to the General Assembly not providing sufficient child welfare funds for
operation of existing facilities.

- Language that reduced the standing appropriation to the Secure an Advanced
  Vision for Education (SAVE) Fund from $10.0 to $8.2 million. The Governor
  stated that Iowa voters in 88 counties have approved the local option sales tax
  for school infrastructure improvements and are counting on the State to provide
  the necessary matching funds for these projects.

Division XII

Environment First Fund—The Act appropriates $35.0 million from the
Environment First Fund. This represents no change in funding compared to
FY 2004.

Division XIII

Tobacco Settlement Trust Fund—The Act appropriates a total of $38.4
million from the Restricted Capital Fund of the Tobacco Settlement Trust
Fund. In addition to these appropriations, the General Assembly
appropriated $29.6 million for FY 2005 in prior legislative sessions.
Together, these appropriations total $69.0 million, which is a decrease of
$82.1 million compared to the amount appropriated from the Fund in FY
2004.

Item Vetoes

The Governor item vetoed language that required the Department of
Administrative Services (DAS) to consult with legislative leadership before
proceeding with interior improvements to the Capitol Building. The Governor
stated the requirement is unnecessary and prescribes burdensome
requirements on the Department.

Division XIV

Miscellaneous Funds—The following are significant appropriations or
changes:

- Increases the issuance fee for a Resource Enhancement and Protection (REAP)
  license plate from $35.00 to $45.00, and increases the renewal fees for the plate
  from $10.00 to $25.00. The fee increases will take effect January 1, 2005. The
  estimated fiscal impact cannot be determined, as it is unknown how many new
  plates will be sold annually. There are approximately 50,000 renewals issued
  annually. Based on 50,000 renewals, an estimated additional $750,000 will be
  collected annually. The funds will be allocated from the REAP Fund to the DNR
  Wildlife Bureau to assist in providing State match for federal funds for State
  nongame wildlife programs.

- Appropriates $765,000 to the Secretary of State for FY 2004. The funds will be
  used as the State match for $15.3 million in federal funding for implementation of
  the federal Help America Vote Act.

Item Vetoes

The Governor item vetoed the following in Division XIV:

- Language that required that 80.0% of the $765,000 appropriated to the Secretary
  of State for the implementation of the federal Help America Vote Act be
distributed to counties. The Governor stated this is unnecessary and
burdensome on the Secretary of State’s Office.

- Language that transferred $800,000 from the Iowa Finance Authority’s Loan and
  Grant Fund to the Housing Trust Fund. The Governor stated the transfer would
  have a negative impact on the Authority’s bond rating, which would drive up
  interest rates and increase the cost of loans to first-time home buyers.
Division XV  

**Code of Iowa Changes**—The Governor item vetoed language in Division XV allowing the Department of Public Safety (DPS) to be the sole agency in charge of providing protection and security for the State Capitol Complex. This includes purchasing, installing, and maintaining certain Executive Branch Capitol Complex security systems and equipment. In FY 2005, $300,000 was appropriated to the DPS from the RIIF for Capitol Security Complex improvements. The appropriation is not affected by this veto. The language that has been vetoed will allow the DAS to continue to play a role in Capitol Complex security decisions.

Division XVI  

**Miscellaneous Provisions**—The following are significant provisions:

- Creation of the Vertical Infrastructure Fund and also requires that funds in the RIIF first be appropriated to the Vertical Infrastructure Fund. The Act establishes standing appropriations from the RIIF for the Vertical Infrastructure Fund in the following amounts:
  - FY 2006: $15.0 million
  - FY 2007: $50.0 million
  - FY 2008: $75.0 million
  - FY 2009 and each year thereafter: $100.0 million

**Item Vetoes**  

The Governor item vetoed the following in Division XVI:

- Appropriations for FY 2007 through FY 2009 to the Vertical Infrastructure Fund. The Governor stated this was due to the uncertainty of projected revenue growth in the RIIF as a result of the enactment of HF 2302 (Gambling Act).

- Language pertaining to county agreements with the DOT related to disposition of county property. The Governor stated there is a question of precision in defining the application of this Section.

- Language that made a corrective change to SF 2295 (Private School Tuition Tax Credit Act). The Governor stated this was due to the veto of SF 2295.

- Language requiring the DHS to reserve available space at the Mental Health Institute at Cherokee if space is vacated by an outside entity. The Governor stated this directive hampers the Institution’s ability to gain revenues from leasing available space or utilizing space in the most efficient way, and requires the DHS to develop a plan to address treatment needs of persons with a developmental disability who exhibit sexually violent behavior; however, no funding is provided for developing such a plan.

Division XVII  

**Corrective Provisions**—The Governor item vetoed language in Division XVII that made a corrective change to HF 2434 (E911 Act). House File 2434 was not passed by the General Assembly; therefore, the Governor vetoed this Section.

Division XVIII  

**Community Attractions and Tourism Fund**—Appropriates $12.0 million per year for six years from the RIIF and Franchise Tax revenues deposited into the General Fund for the Community Attraction and Tourism Fund. For FY 2005, the $12.0 million is appropriated entirely from the RIIF. From FY 2006 to FY 2010, $5.0 million is annually appropriated from the RIIF and $7.0 million from the General Fund Franchise Tax revenues.
Division XIX  
Regulatory Efficiency Commission—This Division establishes a Regulatory Efficiency Commission, specifies the membership and duties of the Commission, and requires the Commission to submit a report of findings to the Governor and the General Assembly by January 10, 2005. The Governor vetoed this Division, stating this was duplicative of efforts already underway to create regulatory efficiencies.

Division XX  
Wind Energy Tax Credits—This Division creates a production tax credit for facilities generating wind energy in Iowa. The tax credit is equal to $0.01 per kilowatt-hour of electricity sold to an unrelated person during a ten-year period. The impact on General Fund revenues depends on the number and size of facilities constructed during the three-year period allowed under the Act. If 900 megawatts of wind generation capacity are constructed during the period, the projected net General Fund revenue reduction over 16 fiscal years is $28.2 million.

Division XXI  
Licensed Interpreter for the Hearing Impaired—This Division requires the Department of Public Health to establish a Board of Interpreters for the Hearing Impaired and specifies licensure requirements and effective dates for Board operations.

Division XXII  
Income Tax Checkoffs—This Division creates a Volunteer Fire Fighters Preparedness Fund and the Keep Iowa Beautiful Fund.

Division XXIII  
State Tax Implementation Committee—This Division creates a State Tax Implementation Committee. The Governor item vetoed the Committee.

Division XXIV  
911 Emergency—The following is a summary of the E911 wireless surcharge, which was increased from .50 to .65 cents per wireless phone subscriber. The estimated revenue generated per quarter is $2.5 million and $10.1 million per year. The revenue will be used for the following:
- To fund the E911 Program Manager and Administrator at $50,000 per quarter.
- To reimburse wireless carriers for cost recovery (up to 21.0%).
- To reimburse wire-line transport costs for local carriers.
- To reimburse automated location information costs for local carriers.
- Debt Retirement ($500,000 per quarter until January 1, 2006).
- To provide money to the Public Safety Answering Points System (PSAPS), with a minimum of $1,000 for each of the 127 PSAPS in Iowa.
- To create a non-reversionary fund for the carryover operating surplus to be used for future Phase 2 network and Public Safety Answering Point upgrades and improvements.

Division XXV  
Sex Offender Registry—This Division makes changes to the Sex Offender Registry and related confidential records.
Act Summary

The final Notes on Bills and Amendments (NOBA) will be published in the LSA’s Fiscal Summary document in early July. Meanwhile, if you have questions concerning SF 2298, please contact the LSA.

STAFF CONTACT: Debra Kozel (Ext. 16767)

SUMMARY OF GOVERNOR’S ACTION ON WAYS & MEANS ACTS

Ways & Means Acts

The following is a summary of the Governor’s action on significant Ways & Means Acts approved by the General Assembly during the 2004 Legislative Session.

Approved by the Governor:

Residential Utilities

Senate File 2026 (Residential Utility Tax Phase-Out Act) reenacts the phase-out of Iowa’s sales and use tax on residential energy. During 2003, there were two Session law tax changes and a Governor’s item veto that resulted in the elimination of the phase-out and a return to the 5.0% State sales tax, beginning July 1, 2004. The Act restores the rate to the former schedule. The tax rate will be reduced to 1.0% beginning January 1, 2005, and 0.0% beginning January 1, 2006. The fiscal impact includes:

- A reduction of General Fund revenues by $63.4 million in FY 2005, $82.7 million for FY 2006, and $93.2 million for FY 2007, and subsequent fiscal years.

- Iowa law provides that any growth in sales and use tax above 2.0% in a year is dedicated to the Grow Iowa Values Fund. Therefore, a portion of the impact will likely affect the Grow Iowa Values Fund.

College Savings Iowa

House File 2553 (College Savings Iowa Act) makes technical and substantive changes to the Iowa Educational Savings Plan Trust that will marginally increase participation in the tax-deductible program. The changes are estimated to reduce General Fund income tax revenue by $130,000 in FY 2005 and $175,000 in FY 2006.

Foundry Mold Building

Senate File 2296 (Revenue Policy Act) expands the foundry sales/use tax exemptions enacted in House File 654 (Foundry Machinery Tax Exemption Act). The expanded exemption is projected to reduce General Fund revenues by $200,000 per year beginning in FY 2005.

New Jobs and Income

Senate File 2290 (New Jobs and Income Program Expansion Act) modifies economic development incentive requirements under the New Jobs and Income, New Capital Investment, and Enterprise Zone Programs. The Act allows rents changed by a third-party developer to be included as a capital investment when calculating eligibility for incentive benefits. The exemption is projected to reduce General Fund revenues by $1.0 million in FY 2005 and $1.4 million in FY 2006.

Vetoed by the Governor:

Private College Savings

Senate File 2303 (Independent College Savings Plan Act) creates an income tax credit for contributions to qualified private college savings plans. The tax credit is projected to reduce General Fund revenues by $255,000 in FY 2005 and subsequent fiscal years. The Governor vetoed this Act, stating many...
states that have sponsored similar plans have suspended offering these plans to new students because the plans are not financially sound.

**Environmental Testing**

Senate File 2121 (Environmental Testing Exemption Act) exempts environmental testing services from the sales and use tax. The exemption is projected to reduce General Fund revenues by $500,000 per year beginning in FY 2005. The Governor vetoed this Act, stating the new exemption would work counter to his proposal to broaden Iowa’s sales tax base, while lowering the sales tax rate. The Governor also directs the Department of Revenue to vigorously enforce Iowa sales tax laws on all out-of-state lab companies doing business in Iowa.

**Private School Tuition**

Senate File 2295 (Private School Tuition Tax Credit Act) creates an income tax credit for contributions to a private School Tuition Organization. The tax credit is equal to 75.0% of the amount contributed with a cap of $700 for a single filer and $800 for a married return. The School Tuition Organization is required to use the donated funds for scholarships that allow students to attend private elementary and secondary schools in Iowa. The Act is projected to reduce General Fund revenues by $3.6 million in FY 2006 and $7.9 million in FY 2007. The Governor vetoed this Act, stating that although he understands the Act’s rationale, he cannot approve of the cost of the tax credit at a time when public school education is not funded at a level he finds sufficient. The Governor also referenced the future cost of previous tax cuts and the potential for new private school tax credit to cost more than projected.

**Summary Table**

The following table summarizes the fiscal impact of significant 2004 Ways and Means legislation:
2004 Legislation with Significant Revenue Impact

Dollars in Millions

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<th>Other Funds and Appropriations</th>
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<th>FY 2005</th>
<th>FY 2006</th>
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* Vetoed changes, not included in totals
### Correctional Impact

There is no significant correctional impact associated with adding employees and Parole Board members as a protected class.

### Convictions

During FY 2006 (annualized impact), 47 convicted offenders will be sentenced to a higher penalty under HF 250. The offenders will be sentenced as follows: nine to State prison, one to probation, and 15 to jail. One offender will remain on civil commitment status. There will be 21 offenders who receive a sentence other than incarceration or supervision.

### Fiscal Impact

The estimated fiscal impact of HF 250 to the General Fund is an increase in expenditures of $31,000 during FY 2005 and $64,000 during FY 2006. The fiscal impact on county jails is anticipated to be $2,000 in FY 2005 and $4,000 in FY 2006.

### More Information

The Fiscal Note for HF 250 is available on the LSA web site at: [http://www3.legis.state.ia.us/fiscalnotes/index/jsp](http://www3.legis.state.ia.us/fiscalnotes/index/jsp).

STAFF CONTACT: Beth Lenstra (Ext. 16301)

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### GOVERNOR SIGNS CHILD ENDANGERMENT ACT – HF 2150

#### Governor Signs

The Governor signed HF 2150 (Child Endangerment Act) on May 11. The Act establishes a child endangerment offense for permitting the presence of a child or minor at a location where amphetamine or methamphetamine is manufactured or where products are possessed with the intent to manufacture a controlled substance. The offense is punishable as a Class D felony.

#### Convictions

During FY 2005, HF 2150 will result in 96 additional offenders being convicted of child endangerment. Thirty-five convictions will be for a Class D felony and 61 will be for an aggravated misdemeanor. For FY 2006 and each year thereafter, there will be 191 additional convictions, including 69 Class D felonies and 122 aggravated misdemeanors.

#### Correctional Impact

During FY 2005, the additional offenders will be sentenced as follows: 27 to State prison, 68 to probation, and 26 to county jail. During FY 2006 (annualized impact), the additional offenders will be sentenced as follows: 54 to State prison, 146 to probation, and 51 to county jail. Certain offenders will receive a split sentence, such as jail and probation.

#### Fiscal Impact

The estimated impact to the General Fund is $218,000 in FY 2005 and $748,000 in FY 2006. The fiscal impact on county jails is estimated to be $16,000 in FY 2005 and $31,000 in FY 2006.

#### More Information

The Fiscal Note for HF 2150 is available on the LSA web site at: [http://www3.legis.state.ia.us/fiscalnotes/index/jsp](http://www3.legis.state.ia.us/fiscalnotes/index/jsp).

STAFF CONTACT: Beth Lenstra (Ext. 16301)
GOVERNOR VETOES FREE LANDOWNER DEER LICENSES BILL – HF 2432

Governor Vetoes
The Governor vetoed HF 2432 (Free Landowner Deer Licenses Bill) on May 14. The Bill allowed a landowner or member of the landowner’s family to receive one free any sex deer license, one free antlerless deer license, and one free wild turkey license. These license options were available to a tenant or a tenant’s family member if the landowner did not apply for the free licenses.

Veto Message
The Governor stated, "...I am concerned that an additional free license for landowners and tenants would deplete much needed resource enhancement funds for Iowa sports men and women by way of the Fish and Game Trust Fund. Landowners, a family member, or a tenant can currently receive one free any sex deer license, one free antlerless deer license and one free wild turkey license. In addition, they can purchase two additional antlerless deer licenses at a substantially reduced rate of $11.00.”

More Information
The Fiscal Note for HF 2432 is available on the LSA web site at: http://www3.legis.state.ia.us/fiscalnotes/index.jsp.

STAFF CONTACT: Debra Kozel (Ext. 16767)

GOVERNOR SIGNS COUNTY TREASURER LICENSING MONEYS ACT – HF 2433

Governor Signs
The Governor signed HF 2433 (County Treasurer Licensing Moneys Act) on May 6. The Act provides that County Treasurers will retain $7.00 instead of $5.00 for each issuance or renewal of a driver’s license or nonoperator identification card beginning in FY 2005.

Driver License Study
The Act requires the State Auditor, in consultation with the Department of Transportation (DOT) and the Iowa County Treasurers Association, to conduct a study on the fiscal impact of the County Driver’s License Issuance Program and to issue a report to the General Assembly. The Report will be used for adjusting the amount of fees retained by County Treasurers for issuance of drivers’ licenses and nonoperator identification cards.

Fiscal Impact
The estimated fiscal impact of HF 2433 is an increase in revenue of $856,000 to County General Funds and a decrease of the same amount to the Road Use Tax Fund in FY 2005 and beyond.

More Information
The Fiscal Note for HF 2433 is available on the LSA web site at: http://www3.legis.state.ia.us/fiscalnotes/index.jsp.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

GOVERNOR SIGNS PROTECTIVE ORDERS ACT – HF 2533

Governor Signs
The Governor signed HF 2533 (Protective Orders Act) on May 3. The Act provides that an individual may be convicted of a simple misdemeanor or held in contempt of court for a violation of a valid foreign protective order. Under current law, an offender convicted or held in contempt of court for a violation of a protective order is required to serve a jail sentence.
Correctional Impact
The correctional impact is unknown due to insufficient information. However, it is expected to be minimal.

Fiscal Impact
Due to insufficient information, the fiscal impact of HF 2533 cannot be determined. The State's cost for holding a hearing regarding violation of a no-contact order is approximately $400. The average county cost for holding one no-contact order violator in county jail is approximately $500. There will be an impact on local law enforcement for enforcing valid foreign protective orders.

More Information
The Fiscal Note for HF 2533 is available on the LSA web site at:
http://www3.legis.state.ia.us/fiscalnotes/index.jsp.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

GOVERNOR SIGNS WASTE TIRE MANAGEMENT FUND ACT – HF 2549

Waste Tire Act
The Governor signed HF 2549 (Waste Tire Management Fund Act) on May 14. The Act changes the allocation of funds appropriated from the Waste Tire Management Fund as follows:

- 30.0% to fund 2.5 FTE positions in the Department of Natural Resources.
- 10.0% for an educational program on waste tire disposal and related health and environmental issues.
- 30.0% for waste tire market development initiatives.
- 30.0% for waste tire stockpile abatement projects that require landowner cost-share funding.

Fiscal Impact
The Fund is expected to have receipts of approximately $1.0 million in FY 2005.

Act Summary
The Notes on Bills and Amendments (NOBA) for HF 2549 is available on the LSA web site at: http://www3.legis.state.ia.us/noba/index.jsp.

STAFF CONTACT: Debra Kozel (Ext. 16767)

GOVERNOR SIGNS PUBLIC HEALTH OMNIBUS ACT – HF 2555

Governor Signs
The Governor signed HF 2555 (Public Health Omnibus Act) on May 17. The Act provides for the following:

- Establishes a Gifts and Grants Fund for the deposit of gifts of grant moneys obtained by the Department of Public Health from any source, including the federal government. The funds are appropriated to the Department and will remain in the Fund at the end of each fiscal year for expenditure in subsequent fiscal years.
- Provides for various technical and substantive changes to programs under the Department.
- Permits the Board of Mortuary Science Examiners to investigate the unlicensed practice of funeral directors, funeral and cremation establishments, and to
impose a civil penalty not to exceed $1,000 for unlicensed activities related to Mortuary Science. Civil penalties imposed and collected will be deposited into the General Fund.

**Fiscal Impact**

The amount of gifts and grants available for use by the Department is unknown. In addition, the amount of civil penalties that will be collected for unlicensed activities related to Mortuary Science and deposited into the General Fund is unknown; however, the amount is not expected to be significant.

**Act Summary**

The Notes on Bills and Amendments (NOBA) for HF 2555 is available on the LSA web site at: [http://www3.legis.state.ia.us/noba/index.jsp](http://www3.legis.state.ia.us/noba/index.jsp).

STAFF CONTACT: Lisa Burk (Ext. 17942)

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**GOVERNOR VETOES DEATH OR INJURY OF AN UNBORN CHILD BILL – HF 2558**

**Governor Vetoes**

The Governor vetoed HF 2558 (Death or Injury of an Unborn Child Bill) on May 14. The Bill defined a “person” to include the unborn as it pertains to victims of first and second degree murder, voluntary manslaughter, and attempted murder. The Bill provided that these crimes did not apply to a legal abortion.

**Veto Message**

The Governor cited current law (Chapter 707, Code of Iowa) in his veto message, stating, "Iowa has had laws on the books dealing with violent crimes against pregnant women for more than five years."

**More Information**

The Fiscal Note for HF 2558 is available on the LSA web site at: [http://www3.legis.state.ia.us/fiscalnotes/index.jsp](http://www3.legis.state.ia.us/fiscalnotes/index.jsp).

STAFF CONTACT: Beth Lenstra (Ext. 16301)

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**GOVERNOR VETOES THE JOB TRAINING AND RETRAINING, JOB CORPS BILL – HF 2561**

**Job Training**

The Governor vetoed HF 2561 (Job Training and Retraining, Job Corps Bill) on May 14, stating as the reason the reduction in General Fund revenue is at a time when other priorities remain unmet.

**Job Corps Centers**

House File 2561 created a job corps center new jobs tax credit, and allows Iowa employers who hire a graduate of an Iowa job corps center for a full-time position within six months of graduation to claim a tax credit of up to $1,182 per graduate for the first 12 months the graduate is employed. The Bill also earmarked tax credits for graduates who enrolled in an Iowa community college within six months of graduation from an Iowa job corps center. The tax credits were earmarked for up to three years from the date the graduate enrolled in the community college.

**Fiscal Impact**

House File 2561 was estimated to reduce General Fund revenues by $43,000 in FY 2004, $213,000 in FY 2005, and $170,000 in subsequent fiscal years.
GOVERNOR SIGNS AND ITEM VETOES HEALTHY IOWANS TOBACCO TRUST ACT – HF 2577

The Governor signed and item vetoed HF 2577 (Healthy Iowans Tobacco Trust Act) on May 17. The Act appropriates $63.9 million from the Healthy Iowans Tobacco Trust for FY 2005 for various programs. This is an increase of $340,000 compared to the estimated net FY 2004 appropriations. The change includes:

- A decrease of $400,000 for the Department of Public Health to eliminate the FY 2005 appropriation for a high school mentor-based substance abuse prevention program. The FY 2004 appropriation has not been expended and will be carried forward for no net reduction in funding.
- An increase of $250,000 for the Department of Public Health for the Automated External Defibrillator Grant Program.
- An increase of $26,000 for the Department of Public Health for the Center for Congenital and Inherited Disorders.
- An increase of $274,000 for the Department of Human Services for the administration of health-related programs.
- An increase of $130,000 for the Department for the Blind for the Newsline for the Blind Program.
- The Act also transfers $6.3 million from the Endowment for Iowa’s Health Account to the Healthy Iowans Tobacco Trust. This is an increase of $1.1 million compared to the FY 2004 transfer.
- An increase of $60,000 for the Department of Corrections to implement a value-based program at Mitchellville. The Governor item vetoed the allocation to Mitchellville, but did not veto the appropriation to the Department of Corrections. As a result, the $60,000 increase in the appropriation remains, but the allocation to Mitchellville was eliminated.
- The Governor item vetoed language requiring the Department of Public Health to employ a Division Administrator for the Division of Tobacco Use Prevention and Control.

Act Summary

The Notes on Bills and Amendments (NOBA) for HF 2577 is available on the LSA web site at: http://www3.legis.state.ia.us/noba/index.jsp.

GOVERNOR SIGNS SF 2112 – TRANSPORTATION APPROPRIATIONS ACT

The Governor signed SF 2112 (FY 2005 Transportation Appropriations Act) on May 19. The Act 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.

### Department of Transportation

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**Act Summary**

The Notes on Bills and Amendments (NOBA) for SF 2112 is available on the LSA web site at: [http://www3.legis.state.ia.us/noba/index.jsp](http://www3.legis.state.ia.us/noba/index.jsp).

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

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**GOVERNOR SIGNS INVESTMENT OF IOWA FINANCE AUTHORITY FUNDS ACT – SF 2215**

**Governor Signs**

The Governor signed SF 2215 (Investment of Iowa Finance Authority Funds Act) on May 6. The Act allows the Iowa Finance Authority to establish separate funds within the Office of the State Treasurer to invest proceeds from the issuance of bonds with the State’s pooled investments.

**Investment Contracts**

Prior to the Act, the Authority invested bond proceeds into guaranteed investment contracts (GICs) pending the use of the funds for the intended purpose, which were typically short-term investments. The Act allows the Authority to use a State-pooled investment account as an alternative to a guaranteed investment contract when economically feasible.

**Interest Revenue**

The Act allows the Authority to generate additional interest revenue for programs administered by the Authority during times when the rate of return on the State’s pooled investments is greater than the guaranteed investment contract rates. If current market conditions persist, the Authority could earn an additional $250,000 to $300,000 annually to benefit programs administered by the Authority.

**More Information**

The Fiscal Note for SF 2215 is available on the LSA web site at: [http://www3.legis.state.ia.us/fiscalnotes/index.jsp](http://www3.legis.state.ia.us/fiscalnotes/index.jsp).

STAFF CONTACT: David Reynolds (Ext. 16934)
GOVERNOR SIGNS CRIMINAL SENTENCING PRACTICES AND PROCEDURES ACT – SF 2275

Governor Signs

The Governor signed SF 2275 (Criminal Sentencing Practices and Procedures Act) on May 11. The Act permits the Board of Parole to consider certain offenders for parole, including those serving an "85.0%" sentence where, under current law, an offender must serve 85.0% of the sentence in the State prison system. Under current law, these offenders would have been released from prison without parole. Those offenders who receive parole under SF 2275 are required to serve the remainder of their term on parole.

Current Law

Under current law, an offender convicted of certain crimes after July 1, 2003, is eligible for parole after 70.0% of the maximum term has been served in the State prison system. An offender who was convicted before July 1, 2003, could have the sentence reopened by motion of the County Attorney, and if the sentence is reopened, the offender becomes eligible for parole after 70.0% of the maximum sentence has been served in the State prison system. To date, no County Attorney has filed a motion to reopen a sentence. This option is repealed in SF 2275.

Supervision

The offenders released in FY 2005 will be placed on intensive supervision because their length of stay on parole will be short. Offenders released in future fiscal years will serve time in work release facilities, and then transfer to intensive supervision.

Fiscal Impact

The estimated fiscal impact of SF 2275 to the General Fund is an increase in expenditures of $115,000 during FY 2005 and $161,000 in FY 2006. The Board of Parole will require two additional staff. Additional Community-Based Corrections (CBC) parole supervision staff will be required statewide in future fiscal years, including 1.0 FTE position in FY 2005 and 2.2 FTE positions in FY 2006.

More Information

The Fiscal Note for SF 2275 is available on the LSA web site at: http://www3.legis.state.ia.us/fiscalnotes/index/jsp.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

GOVERNMENT OVERSIGHT COMMITTEE MEETING

Oversight Meeting

The Government Oversight Committee met on May 17 and 18. The agenda included the following:

• Grants Enterprise Management (GEMS) update by the Department of Management (DOM).

• Discussion of uncollected fines from nursing homes with the Attorney General's Office. The procedures used to pursue collection of the fines were reviewed.

• Discussion of collection of drug stamp assessments with the Attorney General's Office and Department of Revenue.

• Integrated Information for Iowa (I/3) Project update by project team members from the Departments of Administrative Services and Management.

• Government Reinvention Update by the Departments of Management, Human Services, Corrections, and the Public Strategies Group (PSG) contractor.
Established subcommittees for the 2004 Interim regarding:

- Privatization of State liquor stores.
- Transfer of administrative duties for pesticides and fertilizers to the Department of Natural Resources (DNR) from the Department of Agriculture.
- Competitive bidding and purchasing of goods and services from State contracts by all levels of government and school districts.
- Fleet management.
- Educational Examiners Board.
- Regulatory reform.

Next Meeting

The next meeting is scheduled for June 23 and 24.

More Information

Additional information is available from the LSA upon request or by accessing the 2004 Interim Calendar web site at:

STAFF CONTACT: Sam Leto (Ext. 16764) Douglas Wulf (Ext. 13250) Richard Nelson (Ext. 25822)

BOARD OF REGENTS MEETING

The Board of Regents met on May 18 and 19 at the Iowa School for the Deaf in Council Bluffs. The meeting format was changed by President John Forsyth as he assumed the Chair at the meeting.

Governor Vilsack attended the first day of the meeting to discuss the recent signing and item veto of SF 2298 (FY 2005 Omnibus Budget Act), and to honor retiring Board President Owen Newlin. Mr. Newlin has one year left as a Board member under the current appointment.

Significant agenda items included:

- New Committee Structure. President Forsyth recommended disbanding the Banking Committee and the creation of six new committees, including Audit and Compliance; Investment; Education and Student Affairs; Economic Development; Human Resources; and University of Iowa Hospitals and Clinics Executive Board. President Forsyth will serve as an ex-officio member of all committees. The Board approved the new committee structure and membership appointments.

- Task Force on Public Policy. President Forsyth also recommended the creation of a Public Policy Task Force which he would chair. The Task Force will consist of three Regents and the Executive Director, and will focus on two areas. The first will consist of examination of the Board's structure, policy, and procedures, as well as the role of Board members, staff, and institutional officials in government relations, public outreach, and related matters. The second area will consist of consideration of initiatives for the Board to pursue with State and federal officials in the coming year. Recommendations are to be made to the Board by September 2004.

- Allocation of Mandatory Student Fees for the 2004-2005 Academic Year. The Board approved the allocations as presented. Mandatory fees include fees charged to all students at the various institutions, such as computer fees, health
fees, health facility fees, student activities fees, student services fees, student union fees, and building fees.

• Report on Tuition Policy Review. The Board reviewed the Report but postponed a decision until June. Issues presented for discussion included:
  
  • Charging tuition based on one or more of the following: institution attended; student division (upper and lower class); course of study; by credit hour for those in excess of 18 hours per semester; graduate/professional program; and at the University of Iowa (SUI) for tuition that the Board currently does not set.
  
  • Budgeting processes.
  
  • Athletic fees.
  
  • Lakeside Laboratory.
  
  • Student financial aid update.

• Report on Unit Cost of Instruction. The Board reviewed the Report, which is presented on a biennial basis. Data in the Report was for FY 2003. The FY 2003 composite Unit Cost of $11,676 increased by 2.3% compared to FY 2001 ($11,395).

• Status Report on Board-Requested Administrative Services Study. At the December 2003 meeting, the Board adopted a resolution requiring the institutions to review consolidation of administrative functions in order to gain efficiencies. The Board approved the recommended study areas, including: business services; facilities; financial; human resources; information technology; and procurement. When the studies of each of these areas are complete, a final report will be presented to the Board.

• Bond Resolutions. The Board approved the following bond resolutions:
  
  • $18.3 million of Parking System Revenue Bonds for SUI.
  
  • $10.0 million of Center for University Advancement Revenue Refunding Bonds for SUI.

• Annual Report of Faculty Activities. The Board reviewed the Report. The Report contains various measures of faculty productivity, such as: average number of hours worked; percentage of time devoted to research/scholarship service; sponsored research; number of degrees awarded; and percentage of semester credit hours generated.

• Hospitals and Clinics Report and Rate Increase. Personnel from the University of Iowa Hospitals and Clinics (SUIHC) presented the Hospital’s quarterly financial report that reflected net operating income of $5.4 million for the period July 1, 2003, through March 31, 2004. The Board also approved a rate increase of 9.5% to be effective July 1, 2004.

Next Meeting

The next meeting is scheduled for June 15 and 16 at Lakeside Laboratory in Okoboji.
More Information
Additional information is available from the LSA upon request or by accessing the Board of Regents’ website at:
http://www2.state.ia.us/regents/Meetings/meetings.html

COLLEGE STUDENT AID COMMISSION MEETING

College Aid Meeting
The College Student Aid Commission met on May 21 at the Commission Office in Des Moines. Significant agenda items included:

- Administrative Rule changes related to the Iowa Tuition Grant Program.
- Postsecondary renewal registrations for Hannibal LaGrange College, Southwest Minnesota State University, and Grace University.
- Sale and purchase of approximately $120,000 of Iowa Osteopathic Forgivable Loans.
- Approval of Student Loan Budget for FY 2005.

Next Meeting
The next meeting is scheduled for July 20.

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

FY 2004 AND FY 2005 MEDICAL ASSISTANCE PROGRAM ESTIMATES

Medicaid Estimates
On May 21, staff from the Department of Management, Department of Human Services (DHS), and the Fiscal Division of the LSA met to discuss estimated expenditures for the Medical Assistance (Medicaid) Program for FY 2004 and FY 2005. The three staffs agreed to an estimated range of a surplus of $6.0 million to a deficit of $2.0 million for FY 2004. The estimate accounts for the increased funding due to the federal Fiscal Relief for Medicaid.

Medicaid Legislation
House File 2134 (Medicaid Fixes Act) included $5.2 million in estimated savings for FY 2004. The savings initiatives cannot be implemented until the federal Center for Medicare and Medicaid Services approves the State Plan Amendments. The Amendments have been filed, but it is unknown whether these will be approved in time to implement the savings prior to the close of FY 2004. If approval is received in time, the estimated additional savings is $5.2 million for FY 2004, for a total surplus of $11.2 million on the high side of the range.

FY 2005
When the FY 2005 Medicaid budget of $568.5 million was enacted, there was discussion that the funding was not likely to cover the full cost. A shortfall for FY 2005 is projected. The agreed upon range for the FY 2005 shortfall is $30.0 to $60.0 million compared to the FY 2005 appropriation, which assumes the following:

- Elimination of the enhanced federal match rate that was available in FY 2004. This is an increase in cost of approximately $48.2 million.
• Estimated net savings from SF 2298 (FY 2005 Omnibus Appropriations Act) of between $6.0 and $9.2 million.

• Increased State match of $7.8 million for increased reimbursement to the University of Iowa Hospitals and Clinics. This increase is offset on the balance sheet by a reversion of $21.5 million from the University to the State General Fund.

• Enrollment increases of between 4.0% and 6.3%.

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

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

MAY MEETING OF THE COUNCIL ON HUMAN SERVICES

Council Meeting

The Council on Human Services met on May 12 and conducted the following business:

• Approved the following Administrative Rules:
  • Changes to rehabilitative treatment group care services. The fiscal impact cannot be determined; however, any change in recoupment of overpayments impacts funding available for serving children and families in the child welfare and juvenile justice system.
  • Elimination of one appeal process within the Sexual Predator Commitment Program. There is no estimated fiscal impact.
  • Changes to child care assistance policies. There is no estimated fiscal impact.

• Received the following Noticed Administrative Rules for action at future meetings:
  • Adding day habilitation as a reimbursed service for individuals eligible for the Mentally Retarded (MR) waiver. There is no estimated fiscal impact.
  • Changes in certain child care development homes registration requirements. There is no estimated fiscal impact.
  • Changes to the parental unit support role of the Child Support Recovery Unit under certain situations. The estimated fiscal impact is less than $100,000 annually.

• Received a report regarding the 2004 Legislative Session.

• Viewed a presentation regarding data measures for the number of individuals receiving Food Assistance, those eligible and being claimed for Title IV-E, and those individuals who have received assistance from the Family Investment Program (FIP) and entered the work force.

• Received comments from Director Concannon, including:
  • A status report regarding the federal Drug Importation Task Force.
  • A status report regarding federal approval of Intergovernmental Transfers (IGTs).
  • A status report regarding the contracts for the Medicaid fiscal agent.
• A status report regarding child welfare activities.
• Meetings regarding special education funding with the Department of Education.
• The number of FTE positions that may accept Early Out III.
• Possible settlement with the federal Department of Justice within the next 30 to 60 days.
• Reviewed items of interest to the members, including:
  • Possible eligibility of individuals within the Medicaid Medically Needy Program for the federal Medicare prescription drug benefit.
  • Access to field staff and local offices.
  • Criteria for child abuse assessments and the impact of local legal decisions.
• Received information regarding the FY 2004 and FY 2005 budgets, including concerns regarding:
  • Possible FY 2004 deficit of $78,000 within the State Supplementary Assistance budget unit and $300,000 in the State Cases Program budget unit. The Department plans to transfer funds from other budget units.
  • Possible FY 2005 deficit of $1.0 million within the State Cases Program budget unit. The General Assembly appropriated the DHS request and the Governor’s recommended $11.0 million for this budget unit.
  • Possible FY 2005 deficit of up to $1.0 million for the Sexual Predator Commitment Program budget unit.
  • Expected FY 2005 deficit for the Medical Assistance (Medicaid) Program. The range continues to be reviewed by the joint group of the LSA, the Department of Management, and the DHS.

Next Meeting
The next meeting is scheduled for June 9.

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

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

STATE BOARD OF HEALTH MEETING
The State Board of Health met on May 12 and conducted the following business:
• Julie McMahon, Department of Public Health, provided the following information on behalf of Director Hansen:
  • The Department’s budget for FY 2005 was reduced by approximately $80,000. It is also estimated that $350,000 will be needed to provide salary adjustment in FY 2005 and no additional funds were appropriated for this purpose. The Department has submitted the FY 2005 spending plan to the Department of Management.
  • Director Hansen attended the Health Promotion Policy Institute Conference sponsored by the National Conference of State Legislators (NCSL) in April
2004. The Department is working with the DHS to implement a State Plan for healthy communities with an emphasis on tobacco use prevention, obesity, and disease management.

- The Director’s Public Health Advisory Committee, which includes 55 members from both public and private entities is meeting and has chosen three focus areas, including obesity, addictive disorders/mental health, and access to health care, including oral care for all citizens.

- The Board was asked to consider methods for members to advocate for an increase in the tobacco tax in order to fund chronic disease prevention programs.

- Lynh Patterson, Department of Public Health, provided an overview of bills passed during the 2004 Legislative Session that impacted the Department.

- The following rules relating to the Department of Public Health were placed on Notice of Intended Action:
  - Chapter 68 - Changes provide a model rule for lead hazard remediation that can be adopted by local boards of health to be used in instances where a child is confirmed as lead poisoned. There is no estimated fiscal impact.
  - Chapter 73 - Amendments clarify policies in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). There is no estimated fiscal impact.
  - Chapter 88 - Changes to the Volunteer Health Care Provider Program to provide defense and indemnification to volunteer health care providers of free services at approved clinics and to eligible free clinics. The fiscal impact is not anticipated to be significant.
  - Chapter 4 - Technical changes to rename the Birth Defects Institute to the Center for Congenital and Inherited Disorders and the Birth Defects Registry to the Iowa Congenital and Inherited Disorders Registry. Also, changes regarding information sharing and confidentiality relating to the infant metabolic screening process. There is no estimated fiscal impact.

- The following rule relating to the Department of Inspections and Appeals was placed on Notice of Intended Action: Chapter 51 – Changes for hospitals regarding authentication of medical orders.

Next Meeting

The next meeting is scheduled for July 14.

More Information

Additional information is available from the LSA upon request.

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UPDATE REGARDING ADULT MENTAL HEALTH WORK GROUPS

There are a variety of work groups under the auspices of the Mental Health and Developmental Disabilities Commission. The Commission will be renamed the Mental Health, Mental Retardation, Developmental Disabilities, and Brain Injury Commission on July 1, as stated in HF 2537 (Mental Health Commission Act).
The work groups are meeting throughout the Interim and are designed to make recommendations to the Commission regarding the various topics based on the December 2003 Redesign Report. These include:

- **State Resource Centers**: Reviewing revenues, mission, location of services, and options for community-based services.

- **Core Services**: Establishing the minimum core services that all counties would be required to provide for various populations.

- **Information Technology**: Design of a new information system, which would permit integration of identification, services provided, and analysis.

- **Residency**: Impact of utilizing a residency-based system for services received and payment of costs.

- **Universal Access**: Establishing data for information and referral, outreach, and crisis/emergency services.

- **Functional Assessment**: Review assessment tools, develop a testing process, and establish a timeframe for implementation of the assessment process.

- **Disabilities Services**: Development of data, which will result in determination of case rates for various populations and levels of services.

- **Mental Health Institutes**: Review revenues, mission, location of services, and options for community-based services.

**Monthly Reports**

The Commission expects a monthly report from each of the work groups during this process.

**More Information**

Additional information is available from the LSA upon request.

**STAFF CONTACT:** Sue Lerdal (Ext. 17794)

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**DEPARTMENT OF TRANSPORTATION COMMISSION APPROVES REVITALIZE IOWA'S SOUND ECONOMY GRANTS**

**RISE Grants**

The Department of Transportation (DOT) Commission recently awarded a total of $4.8 million in grants from the Revitalize Iowa's Sound Economy (RISE) program to several cities and counties.

**Background**

The RISE Program is funded through a Road Use Tax Fund allocation equal to 1.55 cents per gallon from the excise tax imposed on motor fuel and special fuels. This amount totaled $33.7 million in FY 2003. The RISE funds are allocated as follows:

- 64.5% to the State’s Primary Road Fund for expenditure on the Commercial and Industrial Highway Network.

- 32.3% to cities for use on city streets.

- 3.2% to counties for use on secondary roads.

**RISE Projects**

The RISE funds allocated for State projects are deposited directly into the Primary Road Fund and are not part of the grant program. The RISE funds
for cities and counties can be used to fund the following two types of projects:

- **Immediate Opportunity**: Projects that demonstrate an immediate funding commitment is essential to influence job location, creation, or retention.

- **Local Development**: Projects that support local economic development, but do not meet the threshold set for Immediate Opportunity projects. Job creation and retention are not a requirement for receiving Local Development funds.

### Immediate Opportunity

The DOT Commission recently awarded a total of $530,000 in RISE funds to the following Immediate Opportunity projects:

- **$360,000** to North Liberty for grading and paving a roadway for access to Maytag’s Midwest Regional Distribution Center.

- **$170,000** to Monroe County for grading and paving a roadway for access to Relco Locomotives.

### Local Development

The DOT Commission also awarded a total of $4.2 million in RISE funds to the following cities for local roadway paving and grading projects:

- **$3.5 million** to Coralville.

- **$430,000** to Grinnell.

- **$230,000** to Marcus.

- **$50,000** to Durant.

### More Information

Additional information is available from the LSA upon request.

**STAFF CONTACT:** Mary Beth Mellick (Ext. 18223)

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**ENVIRONMENTAL PROTECTION COMMISSION MEETING**

### Commission Meeting

The Environmental Protection Commission met on May 17 and discussed the following:

**Project AWARE**

An update on Project AWARE (A Watershed Awareness and River Expedition) was provided to the Commission. During the week of June 19, Iowa citizens will work with volunteers from the Keepers of the Land Volunteer Program to travel along the Des Moines River to clean up debris or trash. Informational programs on water quality will also be presented to participants.

**Toxic Cleanup Days**

The Commission approved a contract for $55,000 to support three Toxic Cleanup Collection sites in Appanoose, Davis, and Wapello Counties.

**Final Rule Approved**

The Final Rule on pollution control equipment was approved by the Commission. This allows a property tax exemption on equipment that processes wastepaper, waste paperboard, waste wood products, or waste plastic into new materials.

**Rule Notice**

A Notice of Intended Action was approved by the Commission related to Landfarming Petroleum Contaminated Soils. The rules would create two new types of permits, including a single landfarm applicator permit and a
multi-use landfarm permit. Landfarming is aboveground remediation used to reduce petroleum concentrations in soil.

**Waste Tire**
A Notice of Intended Action was approved by the Commission to rescind Chapters 215 through 217, *Iowa Administrative Code*, related to Waste Tire County Grants, Tire-Derived Fuel Programs, and Waste Tire End User Incentive Programs. House File 2549 (Waste Tire Management Fund Act) reallocates funds for the Waste Tire Management Fund and defines the programs that will receive funding.

**Title V Fees**
The Commission approved the Title V Operating Permit budget and increased the fee from $30.75 to $32.25 per ton. The increased budget will cover the increased costs for employees and professional service staff. Other increased costs are related to the online State Permitting and Air Reporting System (SPARS).

**Water Protection**
A contract with the Department of Agriculture and Land Stewardship was approved by the Commission to implement a program that uses State Revolving Fund money to provide loans to applicants for non-point source pollution projects. These include buffer strips, terraces, and other practices.

**Next Meeting**
The next meeting is scheduled for June 21.

**More Information**
Additional information is available from the LSA upon request or by accessing the DNR web site at: [http://www.iowadnr.com](http://www.iowadnr.com).

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**IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION MEETING**

**Commission Meeting**
The Iowa Telecommunications and Technology Commission (ITTC) met on May 20 at the Iowa Communications Network (ICN) room.

**Library Committee**
The Library Network Advisory Committee provided a report to the Commission, which contained statistics on ICN usage in libraries for FY 2003. Highlights include:

- The billable hours for public library sites in 2003 were 8,488 hours.
- The top three library users of the ICN were Spencer, Oskaloosa, and Davenport.
- The average billable hours per month were 707.
- The billable hours for the State Library were 3,345.
- There were 3,341 participants in ICN classes offered at the State Library.
- The cost savings from ICN video conferencing for the State Library is $281,100.

**ICN Budget Update**
Kevin Heinsroth presented a FY 2004 budget summary that included:

- Action by the 2004 General Assembly that restored the Part III funding that had been suspended in 2004. The ICN had been using cash reserves to cover the payments, which totaled $400,000. The cash reserve has since been restored and the annual appropriation of $2.7 million has been received.
• Video revenues through April are 18.7% above projections for FY 2004. The monthly video subsidy from the General Fund is $39,600 a month, or $487,500 for the year for FY 2004. The video subsidy was subject to the 2.5% across-the-board reduction for FY 2004. In FY 2005, there is no General Fund subsidy for video. To date, FY 2004 revenues have exceeded FY 2003 revenues by $1.2 million.

• Voice revenues through April are 6.0% below projections for FY 2004. The largest sources of revenue are toll free usage, local access, and inmate calling.

• Date services revenues through April are 3.0% above projections for FY 2004.

• Installation revenues through April are 62.0% above projections. This is due to a $692,000 upgrade of the Iowa National Guard video sites.

• Equipment expenditures for April 2004 include $372,000 for equipment and software for router upgrades and $128,000 for inventory spares.

Legislative Action

Tami Fujinaka presented a summary on legislative action affecting the ICN. Senate File 2298 (FY 2005 Omnibus Appropriations Act) contained the following appropriations and language:

• An appropriation of $13.0 million from the Restricted Capitals Fund to the State Treasurer for the FY 2005 debt service payment.

• An appropriation of $2.7 million from the Rebuild Iowa Infrastructure Fund (RIIF) to the Department of Education for the FY 2005 Part III appropriation. This funding is used to pay for the Part III leased connections to schools and libraries, including maintenance costs.

• Language that authorizes a community college receiving federal funds to conduct Homeland Security and First Responder Training and testing, and to use the network for testing purposes.

• Technical language was added to allow a room fee charge for the site that has been authorized to be added to an ICN session but the sponsoring authorized user is not willing to pay the video or room fee charge, to be directly charged to the sponsor of the additional site.

• The Governor item vetoed language that authorized the development of a program pilot project for K-12 public and accredited nonpublic schools to develop a coordinated learning plan. The Governor stated that he liked the concept, but since there was no appropriation accompanying the language, he could not approve it.

Next Meeting

The next meeting is scheduled for July 22.

More Information

Additional information is available from the LSA upon request.

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