

October 16, 2012

REVENUE ESTIMATING CONFERENCE – OCTOBER MEETING

October Meeting. The Revenue Estimating Conference (REC) met on October 11, 2012, and increased estimated FY 2013 General Fund receipts by \$229.2 million compared to the adjusted FY 2013 March REC estimate (adjusted for negative \$27.3 million in post-REC Legislative changes). Additionally, the REC approved initial net General Fund estimates for FY 2014,

FY 2013 Revenue Estimating Conference Projection						
Dollars in Millions						
	Actual FY 2012	March FY 2013 Estimate	October FY 2013 Estimate	Increase (Decrease) to March Estimate	Increase (Decrease) to Actual FY 2012	Percentage Change to Actual FY 2012
Income Tax	\$3,634.3	\$3,784.2	\$3,826.4	\$42.2	\$192.1	5.3%
Sales/Use Tax	2,505.3	2,537.0	2,600.3	63.3	95.0	3.8%
Corporate Tax	520.7	511.3	580.9	69.6	60.2	11.6%
Insurance Tax	101.4	102.4	103.8	1.4	2.4	2.4%
Cigarette Tax	103.1	94.8	101.9	7.1	-1.2	-1.2%
Other Taxes	150.8	151.8	157.1	5.3	6.3	4.2%
Total Taxes	\$7,015.6	\$7,181.5	\$7,370.4	\$188.9	\$354.8	5.1%
Other Receipts	356.7	312.3	321.3	9.0	-35.4	-9.9%
Gross Tax & Other Receipts	\$7,372.3	\$7,493.8	\$7,691.7	\$197.9	\$319.4	4.3%
Accruals (Net)	61.3	15.1	16.8	1.7	-44.5	-72.6%
Refund (Accrual Basis)	-820.6	-919.0	-896.0	23.0	-75.4	9.2%
Schl. Infr. Refunds (Accrual)	-410.6	-424.9	-426.6	-1.7	-16.0	3.9%
Total Net Receipts	\$6,202.4	\$6,165.0	\$6,385.9	\$220.9	\$183.5	3.0%
Transfers (Accrual Basis)	108.7	88.3	96.6	8.3	-12.1	-11.1%
Net Receipts Plus Transfers	\$6,311.1	\$6,253.3	\$6,482.5	\$229.2	\$171.4	2.7%

March REC estimate for FY 2013 has been adjusted for negative \$27.3 million in post-REC Legislative changes.

FY 2013 Estimate Changes. The October REC estimate for FY 2013 net General Fund receipts, including transfers, totals \$6,482.5 million, an increase of \$171.4 million (2.7%) compared to actual FY 2012. The estimated FY 2013 changes from the FY 2012 amounts include:

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- An increase of \$192.1 million (5.3%) in gross income tax receipts. Through October 10, 2012, gross income tax receipts were up 8.3%.
- An increase of \$95.0 (3.8%) million in gross sales/use tax revenues. Through October 10, 2012, gross sales/use tax receipts were up 3.8%.
- An increase of \$60.2 million (11.6%) in gross corporate tax receipts. Through October 10, 2012, corporate tax receipts were up 34.0%.
- A decrease of \$75.4 million to account for a 9.2% increase in tax refunds.
- The REC also included a downward adjustment in FY 2013 tax revenues to account for the expiration of federal tax reductions that are set to expire on January 1, 2013. The expiration of federal tax legislation is estimated to increase federal tax obligations and reduce State income and corporate tax revenue.

FY 2014 Estimate. The October REC estimate for FY 2014 General Fund receipts, including transfers, totals \$6,723.6 million, an increase of \$241.1 million (3.7%) compared to estimated FY 2013. Modest growth is anticipated in gross income tax (3.4%), sales/use tax (3.2%), and corporate tax (3.3%), while other taxes are estimated to increase by 25.2% due an increase in the State inheritance tax as a result of reinstatement of the State death tax credit at the federal level. Additionally, the REC included a downward adjustment in FY 2014 tax revenues to account for the expiration of federal tax reductions that are set to expire on January 1, 2013. The following table provides a comparison of the REC estimates for FY 2013 and FY 2014.

FY 2014 Revenue Estimating Conference Projection				
Dollars in Millions				
	Estimate FY 2013	October FY 2014 Estimate	Increase (Decrease) to Estimated FY 2013	Percentage Change to Estimated FY 2013
Income Tax	\$3,826.4	\$3,956.6	\$130.2	3.4%
Sales/Use Tax	2,600.3	2,683.6	83.3	3.2%
Corporate Tax	580.9	600.0	19.1	3.3%
Insurance Tax	103.8	105.5	1.7	1.6%
Cigarette Tax	101.9	98.7	-3.2	-3.1%
Other Taxes	157.1	196.7	39.6	25.2%
Total Taxes	\$7,370.4	\$7,641.1	\$270.7	3.7%
Other Receipts	321.3	348.4	27.1	8.4%
Gross Tax & Other Receipts	\$7,691.7	\$7,989.5	\$297.8	3.9%
Accruals (Net)	16.8	9.1	-7.7	-45.8%
Refund (Accrual Basis)	-896.0	-932.0	-36.0	4.0%
Schl. Infr. Refunds (Accrual)	-426.6	-440.3	-13.7	3.2%
Total Net Receipts	\$6,385.9	\$6,626.3	\$240.4	3.8%
Transfers (Accrual Basis)	96.6	97.3	0.7	0.7%
Net Receipts Plus Transfers	\$6,482.5	\$6,723.6	\$241.1	3.7%

Additional Information. The next REC meeting will be held in December although no specific date has been set. A detailed spreadsheet of the [REC estimates](#) is available on the Legislative Services Agency (LSA) website.

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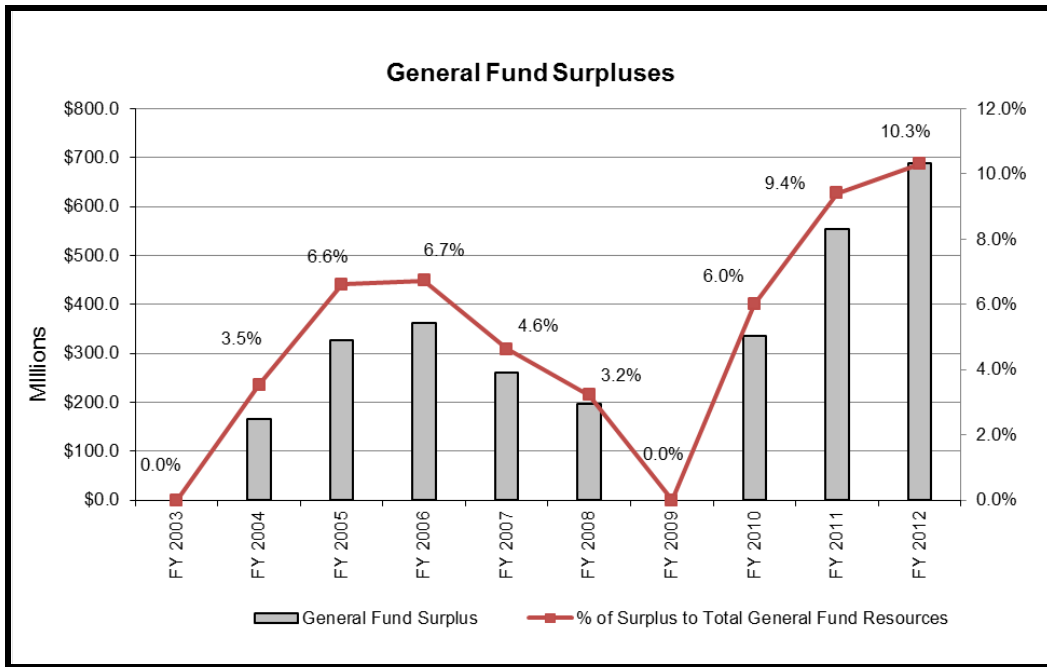
FY 2012 GENERAL FUND BUDGET

FY 2012 Budget Status. The State's General Fund budget ended the fiscal year with a \$688.1 million surplus. This surplus is \$257.4 million more than was estimated at the close of the 2012 Legislative Session. The increase was driven entirely by revenue growth. The year-end revenues were \$258.0 million (4.3%) higher than the revenue estimates being used at the close of the 2012 Legislative Session. The year-end adjustments to standing appropriations increased by only \$2.4 million compared to the estimates being used at the end of the 2012 Session. In addition, reversions (unspent appropriated funds) were \$1.8 million more than estimated.

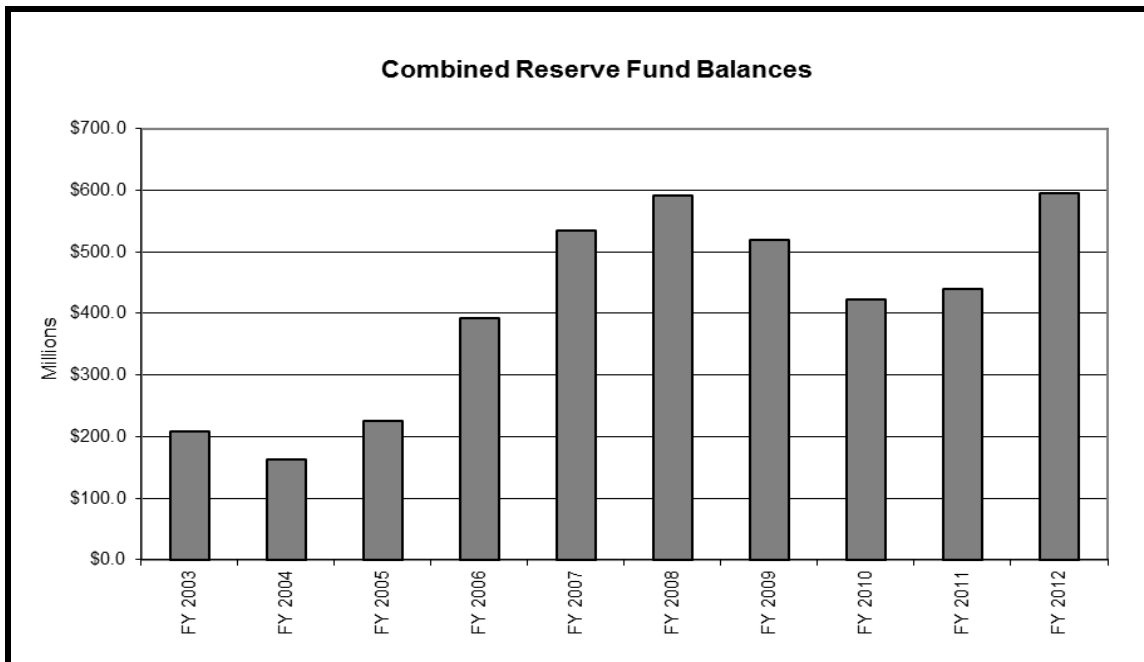
State of Iowa			
Changes in the FY 2012 General Fund Budget			
(Dollars in Millions)			
	FY 2012		
	End of Session	Actual	Variance
Funds Available:			
Receipts	\$ 7,248.0	\$ 7,372.3	\$ 124.3
Refund (Accrual Basis)	- 884.2	- 820.6	63.6
School Infrs. Refunds (Accrual)	- 412.5	- 410.6	1.9
Accruals (Net)	16.6	61.3	44.7
Transfers	85.2	108.7	23.5
Subtotal Receipts	6,053.1	6,311.1	258.0
Economic Emergency Fund Transfer	381.4	381.4	0.0
Total Funds Available	\$ 6,434.5	\$ 6,692.5	\$ 258.0
Appropriations and Expenditures:			
Enacted Appropriations	\$ 5,999.7	\$ 5,999.7	\$ 0.0
Adjustments to Standing Appropriations	7.8	10.2	2.4
Supreme Court Decision	- 15.9	- 15.9	0.0
Supplemental/Deappropriations	18.5	18.5	0.0
Total Appropriations	\$ 6,010.1	\$ 6,012.5	\$ 2.4
Reversions	- 6.3	- 8.1	- 1.8
Net Appropriations	\$ 6,003.8	\$ 6,004.4	\$ 0.6
Ending Balance - Surplus	\$ 430.7	\$ 688.1	\$ 257.4

FY 2012 Revenues. Compared to FY 2011, the year-end net General Fund revenues (excluding transfers) in FY 2012 increased \$389.0 million (6.7%). With transfers included, revenue growth totaled \$412.1 million (7.0%) compared to FY 2011.

General Fund Surplus. Compared to the surpluses over the last 10 years, the FY 2012 General Fund surplus is the largest, surpassing the FY 2011 surplus of \$554.6 million by \$133.5 million. The following chart shows the year-end General Fund surpluses for the last 10 years as well as the percentage of the surplus to the total available General Fund resources for each fiscal year. In FY 2012, the surplus is 10.3% of the total funds available, up from 9.4% in FY 2011 and 6.0% in FY 2010. In FY 2009 and FY 2003, there were no surpluses.



Reserve Funds. In addition to the FY 2012 surplus, the State's reserve funds are at the statutory maximum and have combined balances totaling \$595.5 million. The balance is \$155.1 million (35.2%) more than the FY 2011 combined balance. The following chart shows the combined balances in the Cash Reserve Fund and the Economic Emergency Fund over the last 10 years.



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UPDATE OF FEDERAL BUDGET CONTROL ACT OF 2011

Update. The Fiscal Services Division published an *Issue Review* titled "[Budget Control Act of 2011 \(BCA\)](#)" on August 27, 2012. This synopsis provides an update of actions that impact the potential implementation of the sequester provisions of the BCA.

Federal Report. The U.S. Office of Management and Budget (OMB) published a [report](#) on September 14, 2012, required by the Sequestration Transparency Act of 2012 (P.L. 112-155) that articulates the potential funding effect of sequestration in FFY 2013. The report specifies four broad categorical across-the-board percentage reductions for FFY 2013. These percentages are subject to change should Congress specify funding levels that differ from the FFY 2013 continuing resolution (CR) signed into law on September 28, 2012 (see last paragraph for additional CR information). The reduction percentages are as follows:

- Nonexempt defense discretionary programs = 9.4%
- Nonexempt nondefense discretionary programs = 8.2%
- Medicare = 2.0%
- Nonexempt defense mandatory programs = 7.6%
- Nonexempt nondefense mandatory programs = 10.0%

Reductions. These percentage reductions will be applied to FFY 2013 funding levels in place as of January 2, 2013, for nonexempt programs. The OMB continues to review the application of exemptions and special rules authority in the BCA and will refine guidance as appropriate. Agencies have very little discretion concerning implementation, but may maintain some flexibility regarding the timing of cuts. As an example, the U.S. Department of Education has announced that for most programs, it would apply sequestration to funds available in July 2013 for the 2013-2014 school year.

Estimated State Impacts. Federal Funds Information for the States (FFIS) has updated projections for state-specific impacts based on the OMB report. The table at the end of this update includes enacted FFY 2012 spending levels, CR FFY 2013 spending levels, estimated FFY 2013 spending levels based on sequester reduction percentages applied to FFY 2013 CR spending levels, and the change between the estimated FFY 2013 spending level with the sequester reduction percentages and enacted FFY 2012 spending levels for Iowa. The table identifies 28 programs that will be impacted, including the addition of the National Highway Performance Program that the OMB report noted would not be exempt from the sequester. The total anticipated reduction in federal funds to Iowa for these 28 programs in FFY 2013 is approximately \$49.7 million. Some funds may pass through directly to local governments.

Continuing Resolution. As referenced above, Congress and the President have taken temporary action on the FFY 2013 budget via passage of a CR that expires on March 27, 2013. The CR sets discretionary spending at the annualized level of spending specified in the BCA for FFY 2013: \$1.047 trillion. This spending level provides a 0.612% increase for most programs. The CR also allows mandatory and entitlement programs whose budget authority is provided in appropriations bills to operate at the FFY 2013 current-law level and authorizes programs that would have otherwise expired on September 30, 2012 (including TANF). The CR does not modify the sequester or postpone its effective date. If Congress does not pass other FFY 2013 appropriations legislation and the sequester is not repealed, the FFY 2013 spending levels specified in the CR will be the basis upon which across-the-board cuts will be applied via the sequester in January 2013.

Federal Spending on Selected Programs in Iowa Enacted FFY 2012 and Estimated FFY 2013 (in thousands)					
Program	FFY 2012 Enacted	FFY 2013 Continuing Resolution	Est. FFY 2013 w/Sequester	Change FFY 2012 to FFY 2013 w/Sequester	
Women, Infants & Children (WIC)	\$ 46,661	\$ 46,947	\$ 43,097	\$	-3,564
Title I - Grants to Local Education Agencies	84,226	84,742	77,793		-6,433
Vocational Rehabilitation - State Grants	33,200	34,362	31,751		-1,449
Special Education - Basic State Grant	121,911	122,657	112,599		-9,312
Improving Teacher Quality	18,836	18,951	17,397		-1,439
Career and Technical Education - State Grants	11,964	12,037	11,050		-914
CDC: State and Local Capacity (Bioterrorism)	6,889	6,931	6,363		-526
Child Care and Development Block Grant	21,098	21,227	19,486		-1,612
Community Services Block Grant	7,297	7,342	6,740		-557
Consolidated Health Centers ¹	20,841	23,172	21,973		1,132
Head Start	59,456	59,820	54,914		-4,542
Low-Income Home Energy Assistance	54,813	55,148	50,626		-4,187
Promoting Safe and Stable Families	2,676	2,678	2,472		-204
Social Services Block Grant	16,680	16,614	15,351		-1,329
Substance Abuse and Prevention Block Grant	13,422	13,504	12,397		-1,025
State Homeland Security Grant	2,801	2,818	2,587		-214
Comm. Development Block Grant - Entitlement	11,804	11,876	10,902		-902
Comm. Development Block Grant - Non-Entitlement	21,054	21,182	19,445		-1,609
EPA - Clean Water State Revolving Fund	19,321	19,439	17,845		-1,476
EPA - Drinking Water State Revolving Fund	15,321	15,415	14,151		-1,170
State Criminal Alien Assistance	406	408	375		-31
Justice Assistance Grants	2,018	2,031	1,864		-154
WIA - Adult Employment and Training ²	3,671	3,693	3,391		-280
Dislocated Workers ²	5,396	5,429	4,984		-412
Employment Services State Grants ²	6,440	6,479	5,948		-492
Unemployment Insurance - State Administration	28,965	29,142	26,753		-2,212
WIA - Youth Activities ²	4,962	4,993	4,583		-379
National Highway Performance ³	284,077	280,409	279,685		-4,392
Total	\$ 926,206	\$ 929,446	\$ 876,522	\$	-49,684

¹BCA special rule reduces the percentage cut to this program to 2.0%; the Affordable Care Act appropriates additional funds over FFY 2012 appropriation; these two circumstances produce a net increase in the FFY 2013 appropriation over FFY 2012.

²Funding levels reflect program years rather than fiscal years.

³Most federal highway spending is exempt; however, the National Highway Performance Program is not; OMB states that the program is subject to the 7.6% sequester rate.

Source: Federal Funds Information for the States, www.ffis.org

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FY 2014 AND FY 2015 SCHOOL AID ESTIMATES

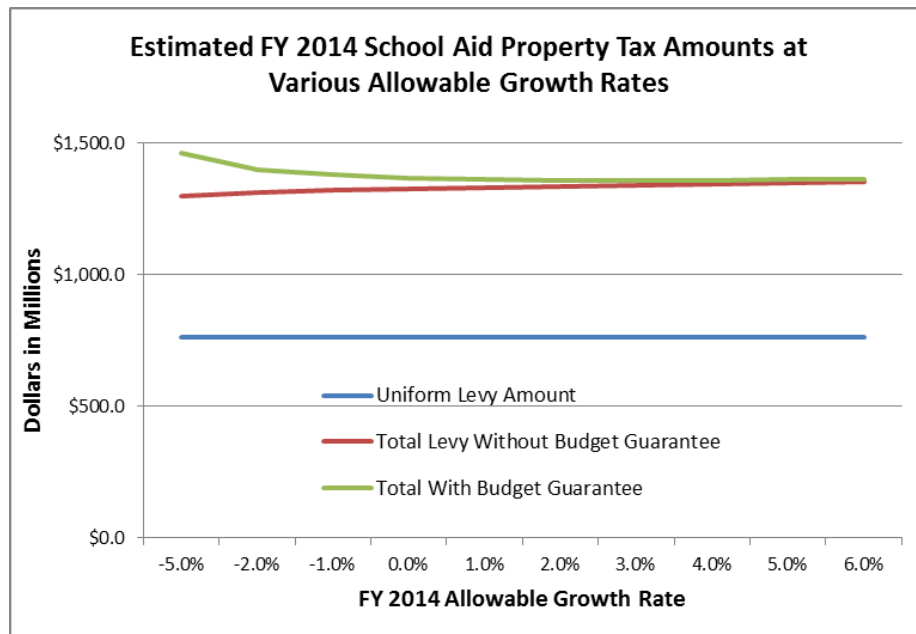
Updated School Aid Estimates. The LSA has updated school aid estimates for FY 2014 and FY 2015 based on revised school aid assumptions for growth in property valuation, enrollments, and weightings. These estimates will be revised at the end of December to reflect actual budget enrollment and weighting data for the FY 2014 school aid funding amounts that are currently being collected by the Department of Education.

Allowable Growth Rates. The General Assembly has not yet established an allowable growth rate for regular school aid or the State categorical supplement for FY 2014. If no allowable growth rate is established, the FY 2014 State and district cost per pupil amounts will remain at the FY 2013 levels (resulting in a 0.0% allowable growth rate for FY 2014). The following table provides estimates for FY 2014 (separate estimates for 0.0%, 2.0%, and 4.0%).

Legislative Services Agency: Estimated FY 2013 and FY 2014 State School Aid Amounts									
School Aid Funding	Estimated FY 2013	FY 2013 Change from FY 2012	FY 2014 Estimates						
			0.0% Allowable Growth Rate Totals	0.0% Allowable Growth Rate - Change from Est. FY 2013	2.0% Allowable Growth Rate Totals	2.0% Allowable Growth Rate - Change from Est. FY 2013	4.0% Allowable Growth Rate Totals	4.0% Allowable Growth Rate - Change from Est. FY 2013	
Regular School Aid	\$ 2,280.9	\$ 23.9	\$ 2,281.7	\$ 0.8	\$ 2,341.8	\$ 60.9	\$ 2,401.9	\$ 121.0	
State Categorical Supplements	319.8	3.9	323.1	3.3	328.1	8.3	333.7	14.0	
Preschool Formula	60.4	2.0	62.7	2.3	63.9	3.5	65.2	4.8	
Est. Total School Aid Amount	\$ 2,661.1	\$ 29.9	\$ 2,667.6	\$ 6.5	\$ 2,726.5	\$ 72.8	\$ 2,800.9	\$ 139.8	
Est. School Aid Property Tax	\$ 1,310.8	\$ -3.7	\$ 1,369.7	\$ 58.9	\$ 1,359.2	\$ 48.4	\$ 1,359.8	\$ 49.0	
Est. Combined District Cost	\$ 3,910.7	\$ 23.4	\$ 3,974.5	\$ 63.8	\$ 4,029.1	\$ 118.4	\$ 4,095.5	\$ 184.8	

- At a 0.0% allowable growth rate: Estimated changes include a State aid increase of \$6.5 million (0.2%), a property tax increase of \$58.9 million (4.5%), and a combined district cost (total funding generated through the school aid formula) increase of \$63.8 million (1.6%). The FY 2014 State cost per pupil will be \$6,001 (no increase compared to the FY 2013 State cost per pupil).
- At a 2.0% allowable growth rate: Estimated changes include a State aid increase of \$72.8 million (2.7%), a property tax increase of \$48.4 million (3.7%), and a combined district cost increase of \$118.4 million (3.0%). The FY 2014 State cost per pupil will be \$6,121 (an increase of \$120.0 compared to the FY 2013 State cost per pupil).
- At a 4.0% allowable growth rate: Estimated changes include a State aid increase of \$139.8 million (5.3%), a property tax increase of \$49.0 million (3.7%), and a combined district cost increase of \$184.8 million (4.7%). The FY 2014 State cost per pupil will be \$6,241 (an increase of \$240.0 compared to the FY 2013 State cost per pupil).
- Property tax changes are impacted by a variety of factors, including valuation growth and the budget guarantee provision. Current estimates are based on a statewide valuation increase of 4.16% for FY 2014 school district budgets. This assumption will increase the uniform levy portion of the school district property tax total by \$30.4 million (4.2%). Additionally, the budget guarantee provision provides eligible districts a guarantee that they can receive 101.0% of the previous year's regular program cost. The budget guarantee provision is entirely funded through local property taxes. At lower allowable growth rates, the budget guarantee provision amount increases, and increases the overall school district property tax rates (more information is provided below regarding the budget guarantee impact of total property taxes).

Budget Guarantee Impact. The following chart provides the estimated impact of the budget guarantee of the total school aid property tax amounts at various allowable growth rates. At each allowable growth rate, the uniform levy is estimated to total \$762.1 million. The total levy without the budget guarantee portion totals \$1,297.6 million at a -5.0% allowable growth rate and increases linearly to \$1,654.5 million at a 6.0% allowable growth rate. When the budget guarantee is included, the total school aid property tax amount totals \$1,462.8 million at a -5.0% allowable growth rate with the budget guarantee accounting for \$165.2 million of the total. At a 0.0% allowable growth rate, the total school aid property tax amount is \$1,369.7 million with the budget guarantee accounting for \$43.9 million of the total. At a 6.0% allowable growth rate, the budget guarantee totals \$8.7 million and the total school aid property tax amount is \$1,363.2 million. In summary, as the allowable growth rate percentage increases, the overall impact of the budget guarantee on total school aid property tax decreases, but the overall school aid property tax without the budget guarantee increases.



Legislative Action. The General Assembly will be required to establish allowable growth rates for regular school aid and the State categorical supplements for FY 2015 during the 2013 Legislative Session. The FY 2015 estimates will be impacted by the allowable growth rate that is established for FY 2014. Estimates for FY 2014 and FY 2015 are available on the [LSA website](#). For additional information regarding school aid estimates, please contact the LSA.

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DEPARTMENT OF JUSTICE – FY 2014 BUDGET REQUEST

Budget Request. The Attorney General is requesting \$13.4 million from the General Fund for FY 2014 for the Department of Justice. This is an increase of \$935,169 (7.5%) compared to estimated FY 2013. The increase includes:

- \$350,000 for personal services – salaries and benefits – to fill four vacant, authorized, unfunded FTE positions in the [Office of the Attorney General](#). This includes two attorneys for the Criminal Appeals Division; the Office handles all criminal appeals in the State. The request also includes two attorneys for the Area Prosecutions Division that handles high-profile criminal cases at the request of county attorneys.
- \$585,169 for [Legal Services Poverty Grants](#). This appropriation funds a contract with Iowa Legal Aid to provide civil legal aid to indigent Iowans.

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DEPARTMENT OF CORRECTIONS – FY 2014 BUDGET REQUEST

DOC Budget Request. The Department of Corrections (DOC) is requesting \$397.7 million for the eight Community-Based Corrections (CBC) District Departments, Central Office, and the Institutions from the General Fund for FY 2014. This is an increase of \$36.0 million (9.9%) compared to estimated FY 2013. The increase includes:

- \$24.1 million to operate new residential beds in Waterloo, Sioux City, Cedar Rapids, Davenport, and Ottumwa, plus begin funding the new prison beds at Fort Madison and Mitchellville. The request for the [CBC residential facilities](#) is for a full year of funding; construction has been completed. The new [CBC](#) beds are estimated to generate \$592,000 at the local level to offset operating costs. The new

prison beds will open in phases as construction is completed and offenders are moved into the new housing units. The total operating costs for the new beds at Fort Madison are estimated to be \$11.8 million, phased in across FY 2014 and FY 2015. The total operating costs for the new beds at Mitchellville are estimated to be \$14.5 million, phased in across FY 2014, FY 2015, and FY 2016.

- \$5.6 million to fund critical staffing needs in the CBC District Departments and Institutions.
- \$850,000 to establish a mental health housing unit at the Clarinda Correctional Facility.
- \$1.3 million to provide cognitive programming in the CBC District Departments and Institutions.
- \$1.8 million to replace federal funds that are expiring as well as fund treatment contracts that were reduced due to budget reductions in previous years. Affected programs include drug courts, mental health, and substance abuse treatment.
- \$374,000 to create a mental health re-entry and diversion program in the Fifth CBC District Department.
- \$750,000 to expand educational resources for offenders. The DOC contracts with local community colleges to provide services to the Institutions.
- \$885,000 for the DOC to comply with the requirements of the federal Prison Rape Elimination Act (PREA).
- \$398,000 to implement a tele-psychiatry program for parolees and probationers.

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STATE PUBLIC DEFENDER FIELD OFFICE CLOSURE

Local Office Closed. The State Public Defender's Office closed a local field office in Fort Madison effective October 1, 2012. Three FTE positions were reassigned to Burlington and 1.00 FTE position was reassigned to Iowa City. No staff was laid off or FTE positions eliminated. Approximately \$20,000 annually in savings is expected by closing the Fort Madison office, that eliminated expenditures related to the office lease, utilities, telephone, and internet connectivity.

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NEW STATE HISTORICAL SOCIETY OF IOWA ADMINISTRATOR

New Administrator. The Department of Cultural Affairs (DCA) announced that Sarabeth Anderson will become the new State Historical Society of Iowa Administrator on October 8, 2012. Anderson has previously held roles as Director of Development and Communication for the Iowa Coalition Against Domestic Violence (ICADV), Managing Attorney for the ICADV MUNA Legal Clinic, and CEO of Habitat for Humanity of Iowa. Jerome Thompson, Interim Administrator for the last four years, will continue as the State Curator within the DCA.

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IOWA ECONOMIC DEVELOPMENT AUTHORITY BUSINESS INCENTIVES

Business Incentives. The Iowa Economic Development Authority (IEDA) has two main components for business incentives through the High Quality Jobs Program: tax credits that are capped at \$120.0 million annually, and cash incentives that are appropriated by the General Assembly. Within these tax credits and funds there are other programs that also have mandatory and discretionary allocation amounts.

Funding. Section 16 of [HF 2337](#) (FY 2013 Economic Development Appropriations Act) appropriated \$15.0 million from the Rebuild Iowa Infrastructure Fund (RIIF) for High Quality Job Creation Financial Assistance. This is the successor program to the Economic Development (formerly Grow Iowa Values) Fund Financial Assistance Program. The tables below reflect the adopted budget, estimated monthly utilization, and balance available to date through FY 2013.

Cash Incentives. Additionally, the previous Economic Development Fund had an ending balance for cash incentives of \$10.0 million. The IEDA has indicated that it may transfer this balance under the provisions of 2011 Iowa Acts chapter 118, section 20.

Award Month	Amount
Beginning of Fiscal Year 2013	\$ 15,000,000
Allocated Amounts	
Administration	1,650,000
Laborshed Studies	275,000
National Marketing	2,800,000
Technical Assistance and Information Technology	750,000
Regional Financial Assistance	200,000
Innovation and Commercialization Transfer	800,000
Entrepreneur Investment Awards Program Transfer	200,000
Awards Obligated	
July Awards	360,000
August Awards	1,136,000
September Awards*	144,000
Balance Remaining	\$ 6,685,000

*Estimated from Project Award documents
Source: Iowa Economic Development Authority Board Documents

Tax Credit Cap. The IEDA also has a tax credit cap that was established for FY 2010 in Iowa Code section [15.119](#). Last year, the IEDA presented a [report](#) to the Legislative Tax Expenditure Committee on its history and utilization. If the IEDA exceeds the cap for a given fiscal year, the amount in excess is counted against the next fiscal year. Although the IEDA did not award more than \$120.0 million in FY 2012, it did run up against the cap once the mandatory \$10.0 million allocation for Innovation Fund Tax Credits and Community-Based Seed Capital Fund Tax Credits were included. No tax credits were awarded for these programs in FY 2012. The table to the right outlines the historical utilization. The following table reflects the adopted allocations and the year-to-date utilization.

Fiscal Year	Statutory Cap	Awards Made
FY 2010	\$ 185.0	\$ 104.4
FY 2011	120.0	68.6
FY 2012	120.0	119.4
FY 2013 YTD*	120.0	32.5

(in millions)
*Excludes FY 2012 awards counted against cap.

Award Month	Business Awards (HQJC and EZ)	Housing Enterprize Zones	Brownfield Redevelopment Program	Innovation Investment Tax Credit	Total Available Balance
Fiscal Year 2013 Allocations	\$ 95,000,000	\$ 10,000,000	\$ 5,000,000	\$ 10,000,000	\$ 120,000,000
Awards					
Awards made in FY 2012	\$ 6,109,518	\$ 3,299,815	\$ 0	\$ 0	110,590,667
July Awards	223,500	1,685,902	0	0	108,681,265
August Awards	2,206,949	82,598	0	0	106,391,718
September*	28,273,639	0	0	0	78,118,079
Obligated Balance Remaining	\$ 58,186,394	\$ 4,931,685	\$ 5,000,000	\$ 10,000,000	

*Estimated from Project Award documents
Source: Iowa Economic Development Authority Board Documents

ATTORNEY GENERAL BUDGETED REIMBURSEMENTS

Reimbursements Report. The Office of the Attorney General submitted the report required by [HF 2335](#) (FY 2013 Justice System Appropriations Act) that shows the amount budgeted for reimbursements to the Office by agency and Fund. The budgeted amount to be reimbursed is \$17.0 million or approximately 69.0% of the Office's budget. The reimbursements have been trending upward while the State General Fund appropriation has remained stagnant or decreased over the last several years. In terms of reimbursement amounts:

- The largest amount reimbursed from an agency is \$6.3 million from the Department of Human Services. This amount includes state and federal funds, and covers legal issues for such items as the Child Support Recovery Unit and child welfare.
- The next largest reimbursement amount is \$3.7 million from internal funds. These are restricted funds under the control of the Office of the Attorney General. Refer to the LSA's [Fiscal Topics](#) for a discussion of each of the internal funds in the Office.

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IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS) FAVORABLE EXPERIENCE DIVIDEND (FED)

Background. The General Assembly provided for funding of the IPERS FED payment by creating a FED Reserve Account within the IPERS Trust Fund in July 1998. Funds were transferred from the IPERS Trust Fund to the Reserve Account for the purposes of creating an annual payment to IPERS members that retired on or after July 1, 1990, and were retired for at least one year. Beneficiaries that have received a monthly death benefit allowance for at least one year are also eligible. The first payments were issued January 1, 1999.

FED Payments. By law, the money in the Reserve Account cannot be used for any purpose other than FED payments. The FED payments are made at the same time as the regular monthly benefit in January. The FED amount is calculated by multiplying a retiree's December benefit by 12, by the number of years retired, and by a percentage multiplier (as determined by IPERS), not to exceed 3.0%. The percentage multiplier has been frozen at 1.07% since FY 2003.

Meeting. The Benefits Advisory Committee (BAC) met October 1, 2012, and discussed the multiplier rate for the January 2013 payment. The Board voted to use 1.07%. This is no change in the rate that has been used for previous years. The estimated payment to be made January 2013 is \$113.8 million.

Remaining Balance. The estimated amount remaining for the FED is approximately \$117.1 million. The Board voted to value the Reserve Account as of June 30, 2013. The Board discussed that the January 2014 multiplier will be based on the balance of the FED Reserve Account and the number of eligible recipients in the fall of 2013. IPERS will draft Administrative Rules to address transferring the remaining balance from the Reserve Account to the IPERS Trust Fund after the January 2014 payment.

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QUITLINE IOWA SUSTAINABILITY GRANT

Funding. During the 2012 Legislative Session, \$275,000 was allocated to Quitline Iowa for FY 2012 from the Children's Health Insurance Program – Child Enrollment Contingency Fund to cover projected costs due to increased usage. Quitline Iowa provides counseling and cessation treatment for tobacco users aged 18 and over who want to quit.

Grant Received. Recently, the Department of Public Health's Division of Tobacco Use Prevention and Control received a Quitline Sustainability Grant from the U.S. Centers for Disease Control and Prevention to maintain the current program capacity and conduct an evaluation of the program's long-term sustainability. The evaluation will analyze and allow the Division to subsequently monitor trends in the

demographic characteristics of users, their preferences for communication, disease states, referral sources, and other metrics. These metrics will inform forecasts of future use and the allocation of resources. The University of Northern Iowa will be contracted to conduct the evaluation. The project period spans two years from August 1, 2012, through July 31, 2014. The first year of funding is in the amount of \$196,083.

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NEW AUDIO FISCAL TOPIC PRESENTATIONS

New Audio Topics. The LSA has published the following new Fiscal One-on-One interviews for October.

- **Department of Corrections.** Interview by Beth Lenstra with John Baldwin, Director of Corrections regarding the creation of the Department of Corrections, current challenges and opportunities, and future issues of Iowa's corrections system.
- **Vertical Infrastructure Program.** Interview by Marcia Tannian with Jennifer Moehlmann, Manager of the Vertical Infrastructure Program within the Department of Administrative Services, regarding major and routine maintenance of state of Iowa buildings.
- **Student Aid.** Interview by Robin Madison with Todd Brown, Director of Student Financial Aid, College Student Aid Commission, regarding how Iowa compares to the rest of the nation in the amount and types of State-funded college student aid.
- **Judicial Branch.** Interview by Jennifer Acton with David Boyd, State Court Administrator, regarding the history of the Judicial Branch including court reorganization during the 1980's and court technology developments from the 1990's to present.

Web Access: <https://www.legis.iowa.gov/LSAReports/AudioVideo/fiscalOneOnOnesAudio.aspx>

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IOWA PUBLIC RADIO ANNUAL REPORT

Report Received. At its September 12, 2012, meeting, the Board of Regents received the Iowa Public Radio (IPR) FY 2012 Annual Report and appointed two new community directors to the IPR Board of Directors. The annual report cited a number of accomplishments related to the following IPR goals for FY 2012:

- Strengthen the impact, reach, and performance of the organization to serve Iowans better.
- Grow and engage the audience using the most effective forms of content delivery.
- Become financially independent from Regents university funding by increasing private support.

Increased Private Support. The table below shows the results for the third goal of increasing private support.

	<u>FY 2011</u>	<u>FY 2012</u>	<u>% Change</u>
Public Support			
Regents University Funding	\$ 1,284,503	\$ 1,062,872	-17.3%
State Appropriations	406,318	391,568	-3.6%
Corporation for Public Broadcasting	828,520	683,224	-17.5%
Subtotal	<u>\$ 2,519,341</u>	<u>\$ 2,137,664</u>	-15.1%
Private Support			
Fundraising	\$ 3,586,877	\$ 5,771,154	60.9%

Community Directors Increased. The IPR Board of Directors amended its bylaws in August 2012 to expand the number of community directors from two to a maximum of four and nominated individuals to fill the two new seats. The Board of Regents approved the nominations of Douglas A. West, Managing Director and Investment Officer for Wells Fargo Advisors of West Des Moines, and Steve C. Firman, Chief Executive Officer of Pharmacy Marketing Group in Cedar Falls.

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BOARD OF REGENTS ADOPTS FY 2014 PROPOSED BUDGET

Budget Adopted. At its meeting on September 12, 2012, the Board of Regents approved the budget request for FY 2014. The request includes the following increases and new appropriations, presented by appropriations subcommittee:

Education Appropriations – The Board is requesting an increase in General Fund appropriations of \$18.9 million or 3.5%. The increase includes a 3.0% increase for the special schools appropriations and a 2.6% increase for the other appropriations with the following exceptions:

- UI Oakdale Campus – An increase of \$218,000 (10.0%) for increased operations and maintenance costs.
- UI Hygienic Laboratory – An increase of \$865,000 (24.5%) to partially restore previous reductions in funding to allow the Laboratory to meet current responsibilities.
- UI Entrepreneurship and Economic Growth – A new appropriation of \$7.0 million to expand public/private partnerships through the John Pappajohn Entrepreneurial Center.
- No increase is requested for the other special purpose appropriations under the UI.
- ISU Leading the Bioeconomy – A new appropriation of \$7.5 million for support of existing programs and to establish and support new laboratories for biorenewables and biosciences research; to support interdisciplinary graduate education in biorenewables and biosciences.
- UNI General Education – An increase of \$6.1 million (7.5%) that includes the 2.6% increase requested for all three universities and an additional \$4.0 million to address UNI's greater dependence on state appropriations.
- Iowa Public Radio (IPR) – An increase of \$16,000 (4.0%) for operational support. IPR's five-year strategic plan includes the goal of becoming financially independent from university funding by increasing private support. The requested increase in State funding will support the hiring of additional fundraisers, as well as news personnel.

Agriculture and Natural Resources – The Board is requesting an increase of \$762,000 or 23.6% for the ISU Veterinary Diagnostic Laboratory for operational funding.

Economic Development – The Board of Regents is requesting an increase in General Fund appropriations of \$233,000 or 7.3%. The increase includes a 2.6% increase for ongoing funding to each of the three universities. In addition, the increase includes a new General Fund appropriation of \$150,000 to establish ongoing funding for the UNI National Ag-Based Lubricant Program that has received funding from non-General Fund sources in the past, including the Grow Iowa Values Fund that was discontinued at the end of FY 2012. In FY 2013, the program received funding through the Rebuild Iowa Infrastructure Fund appropriation to the Regents Innovation Fund.

Innovation Fund. In addition, the Board is requesting status quo funding of \$3.0 million from the Rebuild Iowa Infrastructure Fund for the Regents Innovation Fund. The appropriation will be allocated to the universities as follows:

- UI - \$1.1 million
- ISU - \$1.1 million
- UNI - \$900,000

Transportation, Infrastructure, and Capitals – The Board of Regents is requesting \$27.9 million from the Rebuild Iowa Infrastructure Fund for Tuition Replacement. This is an increase of \$2.7 million (10.9%).

More Information. The FY 2014 budget request is available on the Board of Regents' website at http://www.regents.iowa.gov/Meetings/DocketMemos/12Memos/September2012/0912_ITEM05.pdf. In addition to the request presented above, the Board also approved an FY 2014 capitals request of \$89.0 million. That request is available at http://www.regents.iowa.gov/Meetings/DocketMemos/12Memos/September2012/0912_ITEM06.pdf.

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SUICIDE PREVENTION PROGRAM GRANT

Suicide Prevention Program. [House File 2465](#) (FY 2013 Standings Appropriations Act) provided \$50,000 to the Department of Public Health (DPH) to contract for the development of an Iowa Youth Suicide Prevention Program for youth who are victims of bullying. The [DPH's Division of Behavioral Health](#) released a competitive request for proposals (RFP) and received two responses. [Boys Town](#), based in Omaha, received the notice of award on August 27 in the amount of \$48,000. The project will begin on October 1, 2012, and will include a 24-hour helpline, texting capability, and web-based resources for youth, parents, and other stakeholders. A report will be submitted to the Governor and General Assembly in January 2013.

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APPROPRIATIONS TRANSFER – REGENTS REGIONAL STUDY CENTERS

Appropriation Transfer Notification. The General Assembly has received notification from the Board of Regents of a transfer of appropriated funding between two of the regional study centers. The 2012 General Assembly authorized the transfer of appropriated funds between the three centers in [SF 2321](#) (FY 2013 Education Appropriations Act). The transfer was effective July 1, 2012, and shifted \$95,263 from the Quad Cities Graduate Center to the Southwest Iowa Resource Center. With the transfer, the FY 2013 appropriation amounts are as follows:

- Quad Cities Graduate Center - \$34,513
- Southwest Iowa Resource Center - \$182,734
- Tri-State Graduate Study Center - \$66,601

Funding Need. The Board of Regents cited the need to hire an instructor/coordinator with both teaching and oversight responsibilities for the Southwest Iowa Resource Center. The Board also indicated that reduced funding for the Quad Cities Graduate Center was consistent with the level of direct services provided to Regents university students, noting that the majority of the center's graduate programs rely on online delivery. The Board also noted that the value provided by the Center is limited because its services duplicate those already provided by the universities.

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PUBLIC SAFETY WORKER GRANTS

Grants Awarded. For the 2012-13 academic year, the College Student Aid Commission will award two "priority" Iowa Grants of up to \$6,658 under provisions added to statute in 2012. [House File 2465](#) (FY 2013 Standing Appropriations Act) required that top priority for Iowa Grant awards be given to the children of public safety workers that died in the line of duty. The new law specifies that the amount of a priority award be based on the student's need, not to exceed the resident tuition rate at the Regents universities. All other Iowa Grant awards are capped at \$1,000 per year. Total State funding for the Iowa Grant Program for FY 2013 is \$791,000. The Commission received a total of six applications for priority awards, but only two met all of the criteria for priority status.

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CHALLENGE GRANT FUNDING LOSS

Funding Loss. At the September 21, 2012, meeting of the College Student Aid Commission, Executive Director Karen Misjak informed the commissioners that Iowa will not receive a College Access Challenge Grant from the U.S. Department of Education (DOE) in FY 2013. For the second year in a row, Commission staff applied for a waiver of the Grant's maintenance of effort requirements and was denied the waiver. The Grant's allocation formula would have provided the State \$1.5 million each year.

MOE Requirement. The maintenance of effort (MOE) provisions require states to fund public postsecondary education and financial aid for students attending private institutions at levels equivalent to the average funding for the previous five years. In a letter to the Commission, the U.S. DOE indicated that Iowa's FY 2013 public higher education appropriations would need to be increased by \$42.3 million, and appropriations for financial aid would need to be increased by \$2.1 million, in order to receive the FY 2013 grant. In the letter, the DOE cited the State of Iowa's sizeable reserve funds as a factor in denying the waiver request.

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IOWA READING RESEARCH CENTER

Report Issued. The Department of Education has issued a [final report](#) on the Iowa Reading Research Center established in [SF 2284](#) (Education Reform Act) passed during the 2012 Legislative Session. The Department received a \$2.0 million appropriation in [HF 2465](#) (Standings Appropriation Act) to establish the Center. The purpose of the Center is to apply current research on literacy to provide for the development of the following:

- Instructional strategies for prekindergarten through the 12th grade to achieve literacy proficiency that includes reading, reading comprehension, and writing for all students.
- Strategies for identifying and providing evidence-based interventions for students, beginning in kindergarten, who are at risk of not achieving literacy proficiency.
- Models for effective school and community partnerships to improve student literacy.
- Professional development strategies and material to support teacher effectiveness in student literacy development.
- Data reports on attendance center, school district, and statewide progress toward literacy proficiency.
- The Center will establish program criteria and guidelines for implementation of an intensive summer literacy program by school districts.

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IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION MEETING

September Meeting. The Iowa Telecommunications and Technology Commission (ITTC) met on September 20, 2012. The following items are highlights from the meeting discussion. For more information, refer to the ITTC website at: <http://www.icn.state.ia.us/ittc/>.

Request for Proposal Sale/Lease of Iowa Communications Network. During the 2011 Legislative Session, the General Assembly enacted HF 45 (FY 2011 Appropriations Adjustment Act) that included the requirement for the ITTC to implement a request for proposal (RFP) for the sale or lease of the Iowa Communications Network (ICN). The ICN and its contracted consultant, Fiberutilities Group, have been working on developing the RFP, including asset and network capability identification and documentation. According to Dave Lingren, Executive Director of the ICN, the full time Fiberutilities Group project manager recently left the project and the ICN has decided to use an internal ICN staff member to take over the role, so the ICN was able to reduce the remaining amount due for contract costs for writing the RFP by approximately \$60,000. The contract between ICN and Fiberutilities was \$826,700, paid on a monthly basis of approximately \$39,400. The statutory completion deadline for the entire RFP process is June 30, 2013. The RFP is on schedule and is anticipated to be released by February 2013, with expected responses and analyses of the responses completed before the June 2013 deadline. The

legislation requiring the RFP did not specify a minimum bid, so after consulting with the Governor's Office and the Department of Management, the ICN determined that there will not be a minimum bid requirement in the RFP. For more information on the RFP process and the quarterly updates provided to the Governor and General Assembly, go to <http://www.icn.state.ia.us/itc/RFPImplementationTeam/>.

Regional Telecommunications Councils Allocations. Regional Telecommunications Councils (RTC) are established in [Iowa Code section 8D.5](#) and were created to provide a mechanism so educational users could provide input to the ICN to ensure educational needs are being met and so that technical assistance to local education entities could be provided. There are 15 RTCs that are defined by the community college areas. The funding allocation had been managed by the Iowa Public Television (IPTV) Board. The IPTV Board and ITTC approved the transfer of the allocation process to the ITTC, and the General Assembly followed by appropriating from the General Fund to the ITTC in [SF 2313](#) (FY 2013 Administration and Regulation Appropriations Act) rather than in the education budget. The appropriation language says that the RTCs must use the funds to provide technical assistance for network classrooms, planning, and troubleshooting for local area networks, scheduling of video sites, and related support activities. With the change in oversight to the ITTC, the ICN staff began establishing a reporting and allocation process that would be consistent across the RTCs. The ICN staff implemented revised processes and provided training for the RTCs over several months. The process has new guidelines to allow for transparency with the allocations and includes mandatory tracking requirements. The ITTC established a five-member subcommittee that reviews all components of the plans submitted by the RTCs. The subcommittee includes members from the ITTC, community colleges, the Education Telecommunications Council, and ICN staff. The individual RTCs are in the process of submitting their plans for use of the funds for approval by the ITTC and to receive the first half of the allocation for the fiscal year. The ITTC approved six RTC plans at this meeting and anticipates approving more at the next meetings. For additional information see <http://www.icn.state.ia.us/RTC/>.

Unified Communications. During the meeting, Executive Director Dave Lingren indicated that the ICN is looking into unified communications and collaboration solutions. Unified communications combines communications into one interface and can reduce costs. The ICN is in its preliminary exploration of the unified communications effort and is working with some of the larger State agencies and the Information Technology Enterprise of the Department of Administrative Services to explore the feasibility and potential savings of providing unified communications for State agencies.

Budget to Actual Report for FY 2012. Gross revenues were \$31.2 million for FY 2012. Direct, indirect, and general/administrative expenses totaled approximately \$29.1 million, so the ICN produced approximately \$2.1 million in net cash from operations. After nonappropriated equipment expenditures, net cash was \$1.2 million. According to the report, video revenue has decreased by \$444,000 compared to FY 2011. All video categories showed a decrease. Voice revenue also decreased by \$712,000 compared to FY 2011. This decrease reflects a drop in combined toll and toll-free usage minutes, local access calling, and inmate calling. Data revenue has increased by \$932,000 compared to FY 2011, primarily due to the demand for ethernet and internet capacity.

Appropriation Requests. The ITTC approved FY 2014 and FY 2015 status quo budget requests of \$993,000 from the General Fund for the RTC allocations. The Commission also approved the FY 2014 and FY 2015 budget requests for the ICN equipment replacement appropriation of \$2.2 million from the Technology Reinvestment Fund. This is an increase of \$50,000 compared to estimated FY 2013. The amount, if enacted, would return the appropriation to the FY 2012 funding level. The ICN equipment replacement appropriation is also used as a required match for the State to receive a Universal Service Fund E-rate video discount that is passed on to school districts and libraries.

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PEACE OFFICERS' RETIREMENT, ACCIDENT, AND DISABILITY SYSTEM FIVE YEAR EXPERIENCE STUDY

Study Presented. The actuary for the Peace Officers' Retirement, Accident, and Disability System (POR System) presented the System's Five Year Experience Study at the September 17, 2012, meeting.

Recommendations approved by the Trustees included lowering inflation to 3.0% from 3.5% and lowering the wage growth estimate from the current 4.0% to 3.75% for the 2012 actuarial valuation to be presented at the October 15, 2012 meeting.

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VICTIM SERVICES CHANGES

Local Services Redefined. The Crime Victim Assistance Division (CVAD) in the [Office of the Attorney General](#) is in the process of redefining how the State funds victim services at the local level. Currently, services and advocacy for victims of domestic abuse, sexual assault, and shelter care vary across the State. The CVAD funds about 44.0% of these services, and is in the process of establishing six service areas across the State. Local providers are encouraged to develop coalitions to strengthen victim services and advocacy within their service area.

Funding. The CVAD administers approximately \$10.5 million (\$7.1 million in federal funds, \$2.9 million State General Fund appropriation, and \$500,000 in other funds) for victim services at the local level. The federal government is focusing on a rapid rehousing response and transitional housing model for victims of domestic violence and sexual assault. The CVAD has been working with the [Iowa Coalition Against Domestic Violence](#) and the [Iowa Coalition Against Sexual Assault](#) in developing and implementing requirements for local services to meet the federal initiative.

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COMMUNITY-BASED CORRECTIONS FACILITY UPDATE

CBC Facility Changes. The Fourth Community-Based Corrections (CBC) District Department is reconfiguring its residential facilities. The current women's facility will become an intake center for sex offenders. These offenders will report to that facility for assessments and intake, and some offenders may live there. The City of Council Bluffs Zoning Board of Adjustment approved increasing the facility's occupancy rate from 26 to 50 beds. Currently, women offenders are housed in that facility. Historically, the average daily population of women offenders is 15. The women will be housed in the current men's facility. They used to be housed in that facility before the women's facility was built. The City of Council Bluffs Zoning Board of Adjustment approved increasing the Men's Residential Facility's occupancy rate from 50 to 75 beds. This increase will accommodate the women offenders.

Potential Facility Purchase. There is a house on a corner lot next to the facilities – the District Department is trying to buy it for a transitional release center to provide programming for high risk offenders who are being released from the residential facilities to supervision in field services. The District Department sought but did not receive a grant from the Council Bluffs Housing Trust Fund to fund the purchase. The District Department is considering its options for purchasing that facility.

Bridges of Iowa. Beginning in FY 2009, Bridges of Iowa was located at the Fort Des Moines Residential Facility in 68 beds. These 68 beds were included in the statewide capacity count. Starting in September 2012, Bridges of Iowa moved its substance abuse treatment program to the Polk County Jail. The 68 beds at Fort Des Moines were taken off the statewide facility capacity count because the beds are now vacant. The space for the 68 beds is not currently staffed. Additional resources are required to operate the space vacated by Bridges of Iowa.

Statewide Capacity. Statewide, there are now 1,461 CBC residential facility beds including the changes made in Council Bluffs and Des Moines. There are usually 600 offenders waiting for a CBC residential bed. These offenders are waiting in State and federal prisons, county jails, or field services (probation, parole, or pretrial release).

More Information. Refer to the *Fiscal Topic*, "[Community-Based Corrections Residential Facilities](#)" for information regarding the use of and budgets for CBC residential facilities.

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BOARD OF REGENTS TUITION SET-ASIDE RECOMMENDATION

Recommendation Received. At its meeting on September 12, 2012, the Board of Regents received a plan to end the current practice of funding student financial aid through tuition set-aside and replace it with a State-funded financial aid program administered through the Regents universities.

Committee Proposal. The plan was proposed by a committee previously appointed by the Board. The plan calls for a new FY 2014 State appropriation of \$39.5 million. The Board will eliminate the policy regarding tuition set-aside and ask the university foundations to implement fundraising campaigns to increase private funding for undergraduate student financial aid. For FY 2015, the Board will reduce the undergraduate tuition rates by the amount of additional student financial aid funding provided by the State.

Background. In FY 2012, 14,310 Iowa undergraduate students that demonstrated need received a total of \$37.1 million of financial aid generated through tuition set-aside. According to the 2010-11 Annual Survey Report of the National Association of State Student Grant and Aid Programs (NASSGAP), 69.0% of all state need-based student financial aid funding nationwide went to in-state students attending public universities. Iowa's percentage in FY 2011 was 8.5%, the second lowest among the states. Iowa ranks the highest in need-based aid for students attending private nonprofit institutions (91.5%). The report also noted that Iowa ranks 24th among the states in total need-based student financial aid and 35th in total aid.

More Information. The committee report approved by the Board of Regents is available on their website at http://www.regents.iowa.gov/Meetings/DocketMemos/12Memos/September2012/0912_ITEM12.pdf. The NASSGAP survey report is available at <http://www.nassgap.org/viewrepository.aspx?categoryID=3#>.

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PUBLIC SAFETY ADVISORY BOARD MEETING

Meeting. The Public Safety Advisory Board (PSAB) met September 12 at the [Department of Public Safety](#). Chair Tom Ferguson provided a summary of the visit from [Council of State Government](#) staff. They are interested in developing legislation and redistributing funds based on what works. The initiative dovetails with the Results First return on investment model.

Results First Model. [Department of Corrections](#) (DOC) Research Director Lettie Prell demonstrated the Results First model using the policy change of eliminating the mandatory minimum term of incarceration for certain low risk drug offenders. Discussion focused on the risk assessment instrument, and future uses for the Results First model.

Juvenile Offenders. Steve Michael presented information regarding juvenile offenders and the youthful offender status. Discussion centered on the minimum and maximum ages for the youthful offender status, proper placement of violent juveniles in either the juvenile or adult systems and recidivism rates.

Dual Diagnosis Update. Paul Stageberg, Division Director of the Criminal and Juvenile Justice Planning Division (CJJPD) of the [Department of Human Rights](#), updated the Board on the increased interest by legislators and executive branch personnel on dual diagnosis offenders. Regarding the annual report to the Legislature, the Board decided to update last year's report and add discussion topics of youthful offender status and Results First initiative.

More Information. Additional information is available on the [PSAB](#) website.

Next Meeting. The Board is scheduled to meet November 28, 2012.

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BOARD OF CORRECTIONS MEETINGS

September Meeting. The Board of Corrections met at the Iowa Prison Industries (IPI) showroom in Des Moines on September 14, 2012. Dan Clark, Director of IPI, provided an overview and statistical information regarding IPI, including the traditional IPI programs, private sector employment of offenders, and the prison farms.

Director's Update. Department of Corrections (DOC) Director John Baldwin updated the Board on recent activities, including meetings with Iowa Workforce Development on offender re-entry initiatives, the Board of Parole on releases and Evidence Based Practices (EBP), State Fire Marshal on annual inspections of county jails and residential facilities, and the recent Public Safety Advisory Board meeting. Director Baldwin stated that once construction is completed at Fort Madison and Mitchellville, there will be significant movement of the offenders between Institutions to place offenders in prisons that best meet their needs. Refer to the *Issue Review*, "[Corrections Construction and Capacity](#)" for additional information regarding construction projects.

Training Update. The DOC Training Director Laura Ferris provided information regarding staff training of Institutions and Community-Based Corrections (CBC) staff. Staff receives training in emergency preparedness, diversity and harassment, health services, preservice and orientation (new hires), sexual misconduct, specialty teams, code of conduct and work rules, health and safety, personal safety, firearms, treatment, security, and communications. The amount and types of training received by staff varies by position and job assignment. About 61.4% of the training is eLearning while 38.6% classroom-based. Refer to the *Fiscal Topic*, "[Department of Corrections Training](#)" for additional information on the Corrections Training Center.

Budget Requests. Deputy Director Brad Hier presented information for the FY 2014 General Fund and Capital Projects budget requests. The Board approved the General Fund operating budget request ranging from \$402.0 million to \$408.5 million and the FY 2014 and FY 2015 Capital Projects budget request of \$61.9 million. Highlights of the operating budget include increases for:

- Staffing for the new CBC residential beds and prison beds at Fort Madison and Mitchellville. Refer to the *Fiscal Topic*, "[CBC Residential Facilities](#)" for additional information.
- Critical staffing, cognitive programming, and mental health programs.
- Offender treatment for drug courts, mental health, substance abuse, and education.
- Staffing to meet federal regulations of the Prison Rape Elimination Act (PREA).

Capital Projects. Highlights of the Capital Projects request include funding for:

- New CBC beds in Des Moines, Ames, and Burlington.
- The Iowa Corrections Offender Network (ICON).
- Anamosa's fire escapes, study of the locking system, and waste water treatment.
- Deferred maintenance for the Institutions and CBC District Departments.

Proposed Legislation. The Board approved drafts of proposed legislation for restraining pregnant offenders in county jails and State prisons, sexual misconduct by agents and employees of the DOC or CBC District Departments, driving while the license is suspended, denied, revoked, or barred, and second opinions for offenders under Iowa Code [chapter 229](#).

Evidence-Based Practices. Deputy Director Jerry Bartruff provided an Evidence Based Practices Quiz to the Board that highlighted the strength of using proven research-based data in making decisions. Additional information is available on the [DOC](#) website.

October Meeting. The Board of Corrections met October 5 at the Scheman Center on the Iowa State University (ISU) campus. Dot Faust, Director of the Second CBC District Department, welcomed the Board and guests. She noted that at any given moment there are about 30,000 offenders under CBC supervision statewide; approximately 60,000 offenders are served on an annual basis.

Director's Update. John Baldwin updated the Board on recent departmental activity. This meeting focuses on the close collaboration between the DOC and ISU. Director Baldwin indicated he expects the General Assembly will engage in significant discussion of mental illness amongst the offender population as well as placement for offenders that serve their full sentence in prison and are released without

supervision. The DOC continues to work with the Board of Parole on automating data and creating work screens in ICON for Parole Board members to use. The DOC continues to fill staff vacancies. Three of the four preservice training classes had at least 28 new hires.

Testimony Received. The Board received testimony from DOC and ISU staff and students regarding collaborative efforts for:

- Landscape proposals at the Iowa Correctional Institution for Women.
- Re-entry and recidivism research funded by the national Institute of Justice.
- Purchases of goods and services by Iowa Prison Industries.
- Engineering and design for the new Iowa State Penitentiary at Fort Madison.

Next Meeting. The Board is scheduled to meet November 2, 2012, via conference call at the DOC central office.

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CRIMINAL AND JUVENILE JUSTICE PLANNING ADVISORY COUNCIL MEETING

Meeting. The Criminal and Juvenile Justice Planning Advisory Council met September 12 at the Department of Public Safety. Administrator Paul Stageberg updated the Council regarding the budget of the Criminal and Juvenile Justice Planning Division and recent grant awards. The Division should be able to maintain existing staff, and is in the process of hiring a position. Other items:

- Kathy Nesteby provided information on the School-to-Court initiative that seeks to deal with at-risk children before they enter the juvenile justice system. The Division is working with local school districts to develop policies and procedures on how to manage disruptive students before expulsion, focusing on cultural competencies.
- Lanette Watson reported on the research of Community-Based Corrections (CBC) residential facilities. These facilities have a higher rate of failure (more recidivism) compared to offenders supervised in field services. There is a need to examine facility placement versus risk and needs of offenders, and determine which offenders would benefit the most from residential facility placement.
- Chair Tom Ferguson reviewed the 2012 Legislative Report that will include data on the following legislation: K2/bath salts; aggravated theft; residential treatment backlog; 70.0% crimes (where 70.0% of the sentence must be served in State prison before being eligible for parole consideration); strangulation; and recidivism due to the recent Iowa Supreme Court ruling *Anderson vs. State of Iowa* that granted additional jail credits to certain offenders.

Website for More Information: [Criminal and Juvenile Justice Planning Advisory Council](#)

Next Meeting. The next meeting is scheduled for November 28, 2012.

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PUBLIC SAFETY BROADBAND NETWORK GRANT PROGRAM

Network Established. The Middle Class Tax Relief and Job Creation Act of 2012 signed by the President on February 22, 2012, created a single, nationwide interoperable public safety broadband network (PSBN) that will allow public safety officials to communicate across agencies and jurisdictions. The law provided \$135.0 million in total funding for the State and Local Implementation Grant Program (SLIGP) to assist State, regional, tribal, and local jurisdictions with planning and implementing the PSBN.

Grant Program. On August 21, 2012, the Department of Commerce, National Telecommunications and Information Administration (NTIA) announced the requirements for the grant program. The actual grant announcement will be made in the first quarter of calendar year 2013 through a Federal Funding Opportunity (FFO) notice. All 50 states and six territories are eligible for the grants. The Program requires a 20.0% State match (that can be waived). The NTIA plans to release the grant funding in two phases with the first phase focusing on the initial planning and consultation activities including strategy

and timeline development, meetings, governance planning, and outreach and education efforts. The second phase will address State needs in planning to undertake data collection activities. Funds are not expected to be allowed for site development, broadband deployment, installation, construction, or the acquisition of equipment used to provide wireless broadband services.

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CHILD CARE ASSISTANCE PROGRAM AUDIT

Audit Published. The United States Department of Health and Human Services Office of Inspector General (OIG) published an [audit](#) in August 2012 of [Iowa's Child Care Assistance \(CCA\) program](#) administered by the Department of Human Services (DHS). The purpose of the audit was to determine whether the DHS maintained documentation to support its determinations for client and provider eligibility and for claims processing in order to ensure compliance with Federal and State requirements for the CCA program.

Findings. The audit found that the DHS did not always maintain adequate documentation. With respect to client eligibility, deficiencies were noted concerning citizenship verification, need for service, income, and age. With respect to provider eligibility, deficiencies were noted concerning background checks and provider agreements. With respect to claims processing, deficiencies were noted concerning supervisory approval of certain payments involving service units and client/provider addresses.

Claims Reviewed. The OIG reviewed 200 claims and identified 57 with client eligibility documentation deficiencies, 45 with provider eligibility documentation deficiencies, and 27 with claims processing documentation deficiencies. Some claims had deficiencies in more than one category. The OIG estimated that the costs associated with these deficiencies total approximately \$15.8 million (\$10.6 million federal and \$5.2 million State). The audit also noted potential data field errors in KinderTrack, the program used by DHS to process CCA claims. Payments associated with the potential data field errors total approximately \$5.9 million (\$4.0 million federal and \$1.9 million State). The audit did not find that these funds were misspent; rather the report notes that above amounts may have been vulnerable to fraud or abuse. The DHS is not required to return any funding to the federal government as a result of this audit.

Resolution. The DHS believes that all issues identified in the audit have been addressed. However, the DHS does not concur with the OIG's finding regarding the KinderTrack system and believes that the system is working as intended. The full response from DHS is provided in Appendix D of the report.

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COURT DEBT COLLECTION UPDATE

Debt Collection Update. Senate File 2383 (Debt Collection Act) enacted during the 2010 Legislative Session modified existing debt collection programs and created some new programs. The following chart shows the current revenue collected from outstanding court debt for FY 2012 as compared to FY 2011. This was an increase of \$6.3 million to the General Fund.

	Actual FY 2011	Actual FY 2012	Difference
Judicial Offsets	\$ 9,300,000	\$ 10,200,000	\$ 900,000
County Treasurer - DOR Taxes	\$ 127,000	\$ 291,000	\$ 164,000
County Treasurer - Court Debt	\$ 0	\$ 467,000	\$ 467,000
Centralized Collections Unit (CCU)	\$ 26,600,000	\$ 27,000,000	\$ 400,000
County Attorneys	\$ 5,800,000	\$ 6,800,000	\$ 1,000,000
Private Debt Collector	\$ 0	\$ 3,400,000	\$ 3,400,000
	<u>\$ 41,827,000</u>	<u>\$ 48,158,000</u>	<u>\$ 6,331,000</u>

NOTES:

The county treasurer court debt collection and the private debt collector programs did not begin until FY 2012.

The total amount collected by the county attorneys in FY 2011 was \$10.5 million of which the State received \$5.8 million and the counties received \$4.7 million. For FY 2012, the total collected was \$12.9 million of which the State received \$6.8 million and the counties received \$6.1 million.

New Program. In addition to the debt collection programs listed above, a new program began January 1, 2012, that permitted the Department of Revenue (DOR) to subpoena records of public and private utilities on a quarterly basis for individuals with debt placed with the Centralized Collections Unit (CCU). The Department requests files in May and November of each year from three phone companies and one utility company. Additional companies will be added over time.

Collections System Update. Senate File 2428 (Delinquent Debt Collection Act) required the DOR to upgrade the collections system software for the CCU's computer-assisted collections system (CACS) by acquiring a web-based version of the system. When the files are run against the company data, approximately 20.0% of the files receive updated information which remains within the CCU and is used solely for collections purposes.

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FEDERAL STUDENT LOAN PORTFOLIO TRANSFERRED

Loan Portfolio Transfer Approved. At the June 25, 2012, meeting, the College Student Aid Commission approved the transfer of the agency's Federal Family Education Loan Program (FFELP) portfolio to Great Lakes Higher Education Guaranty Corporation, effective October 1, 2012. As a result of the transfer, the 10.0 FTE positions that have been working directly with the FFELP portfolio are being eliminated, leaving the Commission with 37.0 FTE positions.

Background. The FFELP was eliminated as of July 1, 2010, when new loan originations ceased. The balance of the Commission's FFELP portfolio has been declining since then, as have the federal revenues from amortizing the portfolio. The annual State General Fund appropriation to the Commission for administration of State-funded aid programs has traditionally funded only a quarter or less of actual costs. The Commission has used the federal FFELP revenues for the majority of its administrative funding. For FY 2012 and FY 2013, the appropriation was \$233,000, while the Commission estimated program administration costs at \$844,000, a difference of \$611,000 annually.

Portfolio Balance. The unpaid balance on the State's portfolio of FFELP loans had declined to \$2.3 billion by the end of September 2012, when the transfer to Great Lakes took place. Under the agreement with Great Lakes, the Commission will receive 90.0% of annual net collection revenues from the portfolio in the first three years of the agreement, through Federal Fiscal Year 2015. After that, the percentage will gradually decline over the next seven years to a low of 60.0%. Over the 10-year agreement, the average annual percentage will be 84.0%. However, the total amount of collection revenue will decline each year as the portfolio balance declines. Great Lakes estimates that the Commission will receive a total of \$30.4 million in net revenue over the 10-year period.

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UPCOMING MEETING

Fiscal Committee. The Legislative Fiscal Committee is scheduled to meet Thursday, October 18 at Iowa State University in Ames, Iowa. The agenda is available at:

https://www.legis.iowa.gov/DOCS/LSA/SC_Agendas/2013/SADLR000.PDF

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MEETINGS MONITORED

The following meetings were monitored by Fiscal Services staff. Please contact the staff listed for more information.

Meeting	Date	Staff Contact
Council on Human Services	9/11/2012	Aaron Todd (281-6764)
Board of Corrections	9/14/2012	Beth Lenstra (281-6301)
Peace Officers' Retirement, Accident, and Disability System	9/17/2012	Jen Acton (281-7846)
Board of Regents	9/12/2012	Robin Madison (281-5270)
Commission on Veterans Affairs	9/19/2012	Jen Acton (281-7846)
Iowa Public Information Board	9/19/2012	Ron Robinson (281-6256)
IPERS Investment Board	9/20/2012	Jen Acton (281-7846)
Iowa Telecommunications and Technology Commission	9/20/2012	Marcia Tannian (281-7942)
Direct Care Worker Advisory Council	9/20/2012	Aaron Todd (281-6764)
College Student Aid Commission	9/21/2012	Robin Madison (281-5270)
Tobacco Use Prevention and Control Commission	9/21/2012	Aaron Todd (281-6764)
Iowa Economic Development Authority Board Meeting	9/21/2012	Kent Ohms (725-2200)
E911 Council	9/26/2012	Jen Acton (281-7846)
Iowa Statewide Interoperable Communications System Board	9/26/2012	Jen Acton (281-7846)
Children's Disability Workgroup	9/27/2012	Aaron Todd (281-6764)
Benefits Advisory Committee	10/1/2012	Jen Acton (281-7846)
911 Task Force Committee	10/8/2012	Jen Acton (281-7846) Beth Lenstra (281-6301)
Iowa Finance Authority Board Meeting	10/10/2012	Kent Ohms (725-2200)
Natural Resource Commission	10/11/2012	Deb Kozel (281-6766)
Board of Corrections	10/5/2012	Beth Lenstra (281-6301)
School Budget Review Committee (SBRC)	10/8/2012	Shawn Snyder (281-7799)
Council on Human Services	10/10/2012	Aaron Todd (281-6764)

This document is available on the LSA website: <http://www.legis.state.ia.us/Fiscal/fiscupdt/>