

December 21, 2012

DECEMBER REVENUE ESTIMATING CONFERENCE

FY 2013 Estimate. The Revenue Estimating Conference (REC) met on December 12, 2012, and increased the estimated FY 2013 General Fund receipts by \$34.6 million compared to the FY 2013 October REC estimate. The December REC estimate for FY 2013 General Fund receipts, including transfers, totals \$6,517.1 million, an increase of \$206.0 million (3.3%) compared to actual FY 2012. Estimated FY 2013 changes from the FY 2012 amounts include:

- An increase of \$189.3 million (5.2%) in gross income tax receipts. Through December 9, gross income tax receipts were up \$81.8 million (6.2%).
- An increase of \$77.0 million in gross sales/use tax revenues. Through December 9, gross sales/use tax receipts were up \$24.0 million (2.2%).
- An increase of \$72.3 million for gross corporate tax receipts. Through December 9, gross corporate tax receipts were up \$41.4 million (26.5%).
- An increase of \$49.9 million (6.1%) in tax refunds and \$21.5 million in school infrastructure refunds (resulting in a reduction in net tax receipts).
- The FY 2013 estimates have been adjusted downward by \$85.1 million to account for the expiration of federal tax provisions that would impact Iowa tax revenues.

	Actual FY 2012	October FY 2013 Estimate	December FY 2013 Estimate	Increase (Decrease) to October Estimate	Increase (Decrease) to Actual FY 2012	Percentage Change to Actual FY 2012
Income Tax	\$3,634.3	\$3,826.4	\$3,823.6	\$-2.8	\$189.3	5.2%
Sales/Use Tax	2,505.3	2,600.3	2,582.3	-18.0	77.0	3.1%
Corporate Tax	520.7	580.9	593.0	12.1	72.3	13.9%
Insurance Tax	101.4	103.8	104.0	0.2	2.6	2.6%
Cigarette Tax	103.1	101.9	103.1	1.2	0.0	0.0%
Other Taxes	150.8	157.1	163.6	6.5	12.8	8.5%
Total Taxes	\$7,015.6	\$7,370.4	\$7,369.6	\$-0.8	\$354.0	5.0%
Other Receipts	356.7	321.3	323.8	2.5	-32.9	-9.2%
Gross Tax & Other Receipts	\$7,372.3	\$7,691.7	\$7,693.4	\$1.7	\$321.1	4.4%
Accruals (Net)	61.3	16.8	16.0	-0.8	-45.3	-73.9%
Refund (Accrual Basis)	-820.6	-896.0	-870.5	25.5	-49.9	6.1%
Schl. Infr. Refunds (Accrual)	-410.6	-426.6	-432.1	-5.5	-21.5	5.2%
Total Net Receipts	\$6,202.4	\$6,385.9	\$6,406.8	\$20.9	\$204.4	3.3%
Transfers (Accrual Basis)	108.7	96.6	110.3	13.7	1.6	1.5%
Net Receipts Plus Transfers	<u>\$6,311.1</u>	<u>\$6,482.5</u>	<u>\$6,517.1</u>	<u>\$34.6</u>	<u>\$206.0</u>	<u>3.3%</u>

There were no law change adjustments to the October REC estimates.

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FY 2014 Estimate. The REC revised the FY 2014 estimate to \$6,739.8 million, an increase of \$16.2 million compared to the October estimate and \$222.7 million (3.4%) compared to the new FY 2013 estimate. Concerns about the pending expiration of the federal tax provisions and reductions in federal appropriations through sequestration and the potential negative impact these issues may have on the economy were noted. Additionally, the FY 2014 estimate has been adjusted downward by \$156.5 million assuming the expiration of federal tax provisions that are set to expire at the end of 2012.

FY 2014 Revenue Estimating Conference Projection						
Dollars in Millions						
	Estimate	October	December	Increase	Increase	Percentage
	FY 2013	FY 2014	FY 2014	(Decrease)	(Decrease)	Change
		Estimate	Estimate	to October	to Estimated	to Estimated
				Estimate	FY 2013	FY 2013
Income Tax	\$3,823.6	\$3,956.6	\$3,947.1	\$-9.5	\$123.5	3.2%
Sales/Use Tax	2,582.3	2,683.6	2,664.5	-19.1	82.2	3.2%
Corporate Tax	593.0	600.0	624.9	24.9	31.9	5.4%
Insurance Tax	104.0	105.5	103.3	-2.2	-0.7	-0.7%
Cigarette Tax	103.1	98.7	101.0	2.3	-2.1	-2.0%
Other Taxes	163.6	196.7	209.6	12.9	46.0	28.1%
Total Taxes	\$7,369.6	\$7,641.1	\$7,650.4	\$9.3	\$280.8	3.8%
Other Receipts	323.8	348.4	350.8	2.4	27.0	8.3%
Gross Tax & Other Receipts	\$7,693.4	\$7,989.5	\$8,001.2	\$11.7	\$307.8	4.0%
Accruals (Net)	16.0	9.1	-1.3	-10.4	-17.3	-108.1%
Refund (Accrual Basis)	-870.5	-932.0	-915.1	16.9	-44.6	5.1%
Schl. Infrs. Refunds (Accrual)	-432.1	-440.3	-444.3	-4.0	-12.2	2.8%
Total Net Receipts	\$6,406.8	\$6,626.3	\$6,640.5	\$14.2	\$233.7	3.6%
Transfers (Accrual Basis)	110.3	97.3	99.3	2.0	-11.0	-10.0%
Net Receipts Plus Transfers	\$6,517.1	\$6,723.6	\$6,739.8	\$16.2	\$222.7	3.4%

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SUMMARY OF FY 2014 BUDGET AND DEPARTMENT REQUESTS

Budget Summary Published. The Fiscal Services Division of the Legislative Services Agency (LSA) has published the [Summary of FY 2014 Budget and Department Requests](#). This report reviews receipts and expenditures of the current fiscal year and summarizes department budget requests for FY 2014. In addition, the document contains preliminary revenue and budget projections for FY 2014. Major topics within the document include:

- Revenue and expenditure estimates for FY 2013 and FY 2014. The statutory expenditure limitation for FY 2014 was determined by the Revenue Estimating Conference on December 12, 2012, and will be adjusted in March of 2013. Additional detail about expenditure limitation will be provided in the LSA summary of the FY 2014 Governor's recommendations that will be published in January 2013.
- A summary of the funding increases requested by departments and agencies for FY 2014 is included in the Budget Overview section. The report contains separate sections dedicated to School Aid and Medicaid. These two budget items will have significant impact on the FY 2014 budget. Updated estimates for School Aid and Medicaid will be available in January 2013. Estimates for these two budget categories will continue to change as new information and other factors arise.
- The LSA publishes **Budget Unit Fiscal Topics** that discuss the purpose of particular appropriations and programs. These have been hyperlinked to the title of the appropriation in the General Fund and Other Funds appropriations tracking available in **Appendix A** of the document.

Governor's Budget Summary. A similar document analyzing the Governor's budget recommendations for FY 2014 will be published in January 2013. The full publication can be downloaded and future budget analysis documents may be accessed at: <https://www.legis.iowa.gov/LSAReports/budgetAnalysis.aspx>.

Governor's Budget Hearings. The Governor held a series of budget hearings to receive additional information regarding Executive Branch department budget requests for FY 2014 and FY 2015. Fiscal Services staff attended and monitored these hearings. Summaries of the Governor's budget hearings are included in **Appendix A** at the end of this document.

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COLLECTIVE BARGAINING UPDATE

Bargaining Update. The State is currently in the process of negotiating with unions representing State employees for salaries and benefits for FY 2014 and FY 2015. [Iowa Code chapter 20](#) establishes the framework and timeline for the bargaining process. The basic deadlines are:

- August through September – Unions request bargaining.
- November through December – Unions and the State present initial proposals.
- January through March – Negotiation sessions occur. This may result in the appointment of a mediator, fact finding, and binding arbitration.
- March 15 – Deadline for impasse procedure and filing of neutrals award if required.

Summary Information. The following table summarizes the American Federation of State, County, and Municipal Employees (AFSCME) opening offer and the State's response. The information contains only a summary of the major points. Since collective bargaining agreements cover two years, there will be no collective bargaining negotiations during the 2014 Legislative Session. The Fiscal Services Division will provide an update and estimated salary adjustment need when the agreements become final. The Executive Branch department budget requests for FY 2013 do not include requests for salary adjustment appropriations.

FY 2014 and FY 2015 – Opening Collective Bargaining Offers and Responses

<p>FY 2014 – AFSCME Offer</p>

Wages:

- 1.0% across the board salary increase on June 21, 2013.
- Step increases of 4.5% for eligible employees during FY 2014.
- Review of all job classifications.

Benefits: Modifications to pharmacy and office visit benefits.

<p>FY 2014 – State Response</p>
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Wages: No across-the-board pay increase or step.

Benefits:

- The State will contribute 80.0% toward any health insurance plan and coverage level selected by the employee; the employee will contribute 20.0%. Employees will also be offered a comprehensive wellness program including, but not limited to, a health risk assessment, biometric screening, and engagement activities, as applicable. Employees that successfully complete the prescribed components of the wellness program will receive an annual premium differential of \$360. Currently the State pays 100.0% for single coverage. The State response also increases deductibles, out-of-pocket maximums, coinsurance, and copayments.
- The State will contribute 80.0% of the total dental insurance premium; the employee will contribute 20.0% of the total premium. The dental insurance program will also be revised to include a \$50 deductible for employees and a \$150 deductible for employees and their dependents. The deductible will apply to all nonpreventative services. The current dental plan includes a copayment and does not include a deductible.

- Modifies the coverage amounts for life insurance.
- Strikes permissive subjects of bargaining from the agreement.
- Modifies dues check off language.
- Eliminates the Grievance Resolution Improvement Process.
- Modifies the Layoff and Transfer procedures.

FY 2015 – AFSCME Offer

Wages:

- 2.0% across the board salary increase beginning with the pay period that includes July 1, 2014.
- Step increases of 4.5% for eligible employees during FY 2015.

Benefits: No change.

FY 2015 – State Response

Wages: No across-the-board pay increase or step.

Benefits: No change.

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CHILD CARE ASSISTANCE AND ADOPTION SUBSIDY PROJECTIONS

Projections Workgroup. As directed in [Iowa Code section 234.47](#), staff members from the Department of Human Services (DHS), Department of Management, and Fiscal Services Division of the LSA meet regularly to update Child Care Assistance (CCA) and Adoption Subsidy program projections for the current and subsequent fiscal years. This memo outlines the agreed-upon estimates of need for FY 2013, FY 2014, and FY 2015 as of November 2012. An updated projection will be issued in late December 2012 or early January 2013.

Child Care Assistance Projection

	Final FY 2012	Estimated FY 2013	Estimated FY 2014	Estimated FY 2015
Revenues				
TANF	\$ 22,732,687	\$ 22,732,687	\$ 23,432,687	\$ 22,732,687
CCDF	44,148,627	45,123,532	44,692,132	44,692,132
CHIPRA	280,043	0	0	0
Carryforward	3,381,858	1,183,051	0	0
Total Federal	70,543,215	69,039,270	68,124,819	67,424,819
General Fund*	56,916,087	62,264,342	62,264,342	62,264,342
Total Revenues	\$ 127,459,302	\$ 131,303,612	\$ 130,389,161	\$ 129,689,161
Expenditures				
Child Care Subsidy	\$ 102,734,913	\$ 105,907,163	\$ 108,849,044	\$ 111,546,086
Early Childhood Iowa	6,350,000	6,350,000	6,350,000	6,350,000
Resource & Referral	2,673,712	2,887,229	2,887,229	2,887,229
Information Technology	221,616	425,625	425,625	425,625
Quality Rating System	936,974	936,974	936,974	936,974
Quality Activities	7,149,649	8,081,304	8,081,304	8,081,304
Admin & Legal	6,209,387	6,715,317	7,049,594	7,385,786
Total Expenditures	\$ 126,276,251	\$ 131,303,612	\$ 134,579,770	\$ 137,613,004
Additional GF Need**	n/a	\$ 0	\$ 4,190,609	\$ 7,923,843
Total GF Need	n/a	\$ 62,264,342	\$ 66,454,951	\$ 70,188,185

*Assumes status quo FY 2013 GF appropriation in FY 2014 & FY 2015
 **Compared to status quo FY 2013 GF appropriation
 TANF = Temporary Assistance for Needy Families; CCDF = Child Care Development Fund
 CHIPRA = Childrens Health Insurance Program Reauthorization Act

Fiscal Year 2013. [Senate File 2336](#) (FY 2013 Health and Human Services Appropriations Act) appropriated \$62.3 million from the General Fund for CCA. This appropriation is an increase of \$5.3 million (9.4%) compared to FY 2012. In addition, it is anticipated that \$69.0 million in federal funding will be expended, including \$1.2 million in federal carryforward funding. The projections workgroup does not anticipate the need for supplemental funding for CCA in FY 2013. However, this projection is based on only two months of data and should be interpreted with caution.

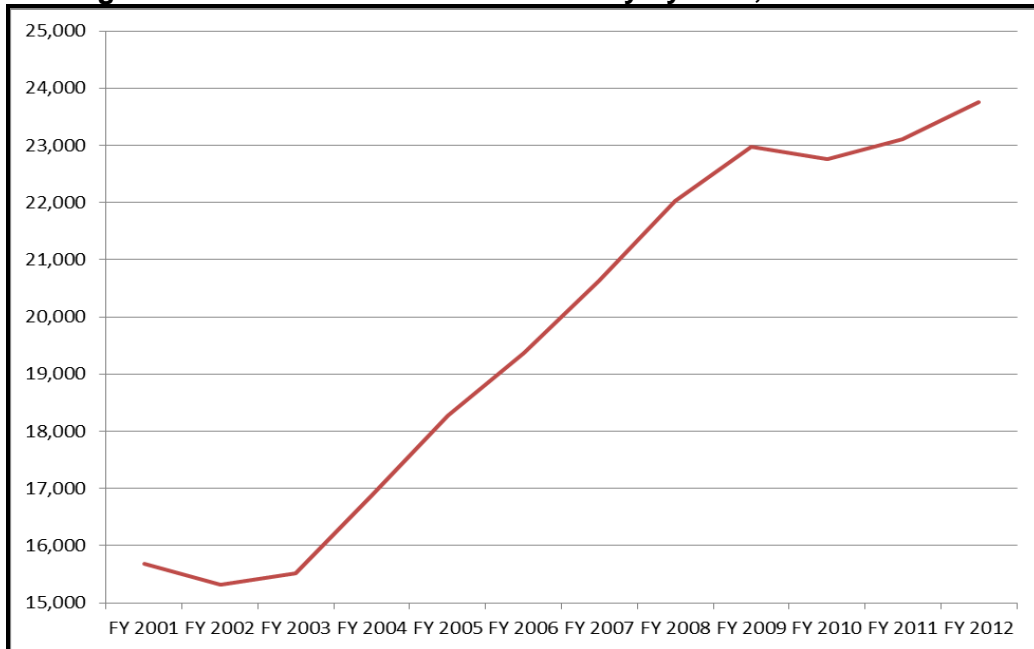
Fiscal Year 2014. The projections workgroup is anticipating a total funding need in FY 2014 of \$134.6 million. This is an increase of \$3.3 million (2.5%) compared to estimated FY 2013. However, due to the need to replace \$1.2 million in one-time federal carryforward funds used in FY 2013 and a relatively modest anticipated increase in other federal funds, the CCA program is anticipated to need an additional \$4.2 million (6.7%) from the General Fund compared to estimated FY 2013.

Fiscal Year 2015. The projections workgroup is anticipating a total funding need in FY 2015 of \$137.6 million. This is an increase of \$3.0 million (2.3%) compared to estimated FY 2014. However, due to an anticipated decrease in federal funds of \$700,000, the CCA program is anticipated to need an additional \$3.7 million (5.6%) from the General Fund compared to estimated FY 2014.

General Fund Expenditure Growth. There is considerable uncertainty regarding future federal funding for the CCA program. In the best-case scenario, federal funds may increase slightly or hold steady, with decreases anticipated by FY 2015 as a result of potential federal budget cuts. While the DHS may and does allocate Temporary Assistance for Needy Families (TANF) funds to CCA, the program must compete with other uses for those funds during a time when federal funding is holding steady or declining across human services programs. At this time, TANF is exempt from the federal sequester, if implemented, while the Child Care and Development Block Grant is not. Additionally, the General Assembly approved a provider rate increase of 2.0% beginning January 1, 2013. This rate increase was incorporated into the program's FY 2013 General Fund appropriation and is annualized beginning in FY 2014. Finally, the average monthly number of children served by the CCA program has been increasing in recent years and that trend is expected to continue.

There is also a \$2.7 million U.S. Department of Health and Human Services Office of Inspector General audit liability outstanding for the CCA program. The DHS has appealed audit findings and is awaiting a response. There is no projected timeline for repayment, if any, and repayment has not been included in the projections.

Average Number of Children Served Monthly by CCA, FY 2001 to FY 2012



Adoption Subsidy Projection

	Final FY 2012	Estimated FY 2013	Estimated FY 2014	Estimated FY 2015
Revenues				
Title IV-E	\$ 31,151,939	\$ 31,444,923	31,244,815	31,484,422
CHIPRA	2,049,589	0	0	0
Total Federal	33,201,528	31,444,923	31,244,815	31,484,422
General Fund*	33,695,365	36,586,968	36,586,968	36,586,968
Total Revenues	\$ 66,896,893	\$ 68,031,891	\$ 67,831,783	\$ 68,071,390
Expenditures				
Subsidy	\$ 66,372,397	\$ 68,514,661	\$ 69,867,403	\$ 71,068,110
Legal Fees	524,496	509,326	509,326	509,326
Total Expenditures	\$ 66,896,893	\$ 69,023,987	\$ 70,376,729	\$ 71,577,436
Additional GF Need**	n/a	\$ 992,096	\$ 2,544,946	\$ 3,506,046
Total GF Need	n/a	\$ 37,579,064	\$ 39,131,914	\$ 40,093,014

*Assumes status quo FY 2013 GF appropriation in FY 2014 & FY 2015
**Compared to status quo FY 2013 GF appropriation

Fiscal Year 2013. [Senate File 2336](#) (FY 2013 Health and Human Services Appropriations Act) appropriated \$36.6 million from the General Fund for the Adoption Subsidy program. This appropriation is an increase of \$2.9 million (8.6%) compared to FY 2012. In addition, it is anticipated that \$31.4 million in federal funding will be expended. The projections workgroup anticipates a \$992,000 supplemental funding need for FY 2013. Real expenditures in the first quarter of FY 2013 are slightly below projections; however, adoptions typically increase substantially in November and may bring real expenditures in line with projected expenditures. This projection is based on only three months of data and should be interpreted with caution.

Fiscal Year 2014. The projections workgroup is anticipating a total funding need in FY 2014 of \$70.4 million. This is an increase of \$1.4 million (2.0%) compared to estimated FY 2013. However, due to an anticipated decrease in federal funds of \$200,000, the Adoption Subsidy program is anticipated to need an additional \$1.6 million (4.1%) from the General Fund compared to estimated FY 2013.

Fiscal Year 2015. The projections workgroup is anticipating a total funding need in FY 2015 of \$71.6 million. This is an increase of \$1.2 million (1.7%) compared to estimated FY 2014. The Adoption Subsidy program is anticipated to need an additional \$961,000 (2.5%) from the General Fund compared to estimated FY 2014. However, this projection anticipates a relatively small decline in Iowa's Federal Medical Assistance Percentage (FMAP) rate that may be overly optimistic.

General Fund Expenditure Growth. It is likely that federal funding will grow at a slower rate than General Fund expenditures due to anticipated decreases to Iowa's FMAP rate over the next two fiscal years. Iowa's relatively strong economic performance compared to the rest of the nation results in a reduction to Iowa's FMAP rate, requiring the State to provide additional General Fund dollars to programs such as Adoption Subsidy that would have otherwise been covered by federal funds. Additionally, the General Assembly approved a provider rate increase of 1.5% beginning July 1, 2012. Finally, the average monthly number of children served by the Adoption Subsidy program has been increasing in recent years and, while the rate is projected to slow, the trend is anticipated to continue.

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NARROWBAND WAIVER

Waiver Approved. On December 10, 2012, the Federal Communications Commission (FCC) approved a waiver request from the January 1, 2013, narrowbanding requirements to the Departments of Public Safety (DPS) and Natural Resources (DNR). The Department of Transportation does not require a waiver as they are already narrowband compliant. The Department of Corrections (DOC) should be receiving a letter granting their waiver request in the next week or two. The primary reason stated in the waiver was that the appropriation to the DPS was for a three-year period with the remaining funds not being received until 2013. The new DPS and DNR narrowbanding deadline is November 14, 2014. The new deadline for the DOC will not be known until the letter is received.

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UPDATED – ECONOMIC DEVELOPMENT 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.

[House File 2337](#), section 16 (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 following tables reflect the adopted budget, estimated monthly utilization, and balance available to date through FY 2013.

High Quality Job Creation Cash Incentives	
<u>Award Month</u>	<u>Amount</u>
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	344,000
October Awards	411,000
November Awards*	1,500,000
Balance Remaining	<u>\$ 4,574,000</u>
*Estimated from Project Award documents	
Source: Iowa Economic Development Authority Board Documents	

Additionally, the previous Economic Development Fund had an ending balance for cash incentives of \$10.8 million. The IEDA has indicated that it may transfer this balance under the provisions of [2011 Iowa Acts chapter 118](#), section 20.

The IEDA also has a tax credit cap that was established for FY 2010 in [Iowa Code section 15.119](#). In 2011, the IEDA presented a [report](#) to the Legislative Tax Expenditure Committee on its history and utilization. The IEDA presented an updated report on December 12, 2012, that can be found [here](#). 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 table below reflects the adopted allocations and the year to date utilization.

<u>Fiscal Year</u>	<u>Statutory Cap</u>	<u>Awards Made</u>
FY 2010	\$ 185.0	\$ 104.4
FY 2011	120.0	68.6
FY 2012	120.0	119.4
FY 2013 YTD*	110.6	65.3

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

<u>Award Month</u>	<u>Business Awards (HQJC and EZ)</u>	<u>Housing Enterprize Zones</u>	<u>Brownfield Redevelopment Program</u>	<u>Innovation Investment Tax Credit</u>	<u>Total Available Balance</u>
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	1,558,515	0	0	108,808,652
August Awards	2,206,949	191,798	0	0	106,409,905
September	28,239,127	849,020	0	0	77,321,758
October	386,932	2,203,512	0	0	74,731,314
November*	27,004,235	2,406,732	0	0	45,320,347
Unobligated Balance Remaining	\$ 30,829,739	\$ -509,392	\$ 5,000,000	\$ 10,000,000	

*Estimated from Project Award documents at the monthly Board Meeting. Housing Tax Credit estimate from Legislative Tax Committee Document.
 Source: Iowa Economic Development Authority Board Documents

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E911 TASK FORCE REPORT

Senate File 2332 (Enhanced 911 Emergency Communications Act) required the Iowa Homeland Security and Emergency Management Division to convene a task force of stakeholders to consider and offer recommendations regarding needed upgrades and enhancements to the State's E911 programs. There were 82 members of the Task Force. The final report was submitted to the Iowa General Assembly on December 1, 2012, and is available at http://www.iowahomelandsecurity.org/documents/e911/E911_Taskforce_Recs.pdf

The members were asked to consider, but were not limited to, the following:

- Enhanced technology needs of local E911 public safety answering points (PSAPs) to ensure timely, quality emergency response services.
- Identification of new wireless technologies used in E911 services delivery.
- Funding needs to meet State and federal emergency communications technology mandates.

- Potential wireless and wireline surcharge adjustments to meet E911 service delivery demands, including specific recommendations on surcharge equalization and on the distribution formula of surcharge revenues.
- Local and State E911 administration and governance.

The following are highlights from the report:

Funding

- Equalize wireline and wireless E911 surcharge rates at \$1.00.
- Maintain the current wireless surcharge funding distribution formula.
- Create a method for collecting comprehensive expense data from the PSAPs.
- Add the E911 Council as part of the approval process for Carryover Funds.

Governance

- Maintain the E911 Council and the Iowa Statewide Interoperable Communications Systems Board as separate entities.
- Codify a single point of contact within each county for emergency communications, interoperability, and E911.

Technology, Network Operations, and Interoperability

- Establish a Statewide interoperability vision statement and establish standard operating procedures and protocols.
- Mandate the use of the Communication Assets Survey and Mapping (CASM) tool.

PSAP Operations: Create a process to accurately capture work load data for all PSAPs in Iowa.

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IOWA NUTRIENT REDUCTION STRATEGY

On November 19, 2012, Iowa released a [Nutrient Reduction Strategy](#) in response to the federal Gulf Hypoxia Action Plan. The Strategy was developed by the DALs, the DNR and Iowa State University. Resulting from two years of work, researchers relied on a science based approach to evaluate nutrient reduction approaches for point sources and nonpoint sources. Examples of point sources include wastewater treatments plants and industrial facilities, whereas nonpoint sources include farms and urban centers. The goal is to reduce nitrogen and phosphorous concentration each by 45%. To accomplish this goal, the strategy sets reduction targets for both point and nonpoint sources of nutrient loading. Public comment period for the study is 45 days, and will end January 4, 2013. The DALs has received requests to extend the public comment period. As of publication, the public comment period has not been extended.

The document is divided into three main sections: Policy Considerations and Strategy, Nonpoint Source Science Assessment, and Point Source Science Assessment. The policy section outlines framework to begin implementation including watershed prioritization, coordination, measurement, and reporting methods. The Strategy estimates implementation costs of the point source and nonpoint source strategy. Initial investment costs for nonpoint nitrogen reduction scenarios range from \$1.2 billion to \$4.8 billion. For point sources, implementation costs would be approximately \$1.5 billion over a 20-year period.

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IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM ACTUARIAL REPORT

The June 30, 2012, actuarial valuation prepared by Cavanaugh Macdonald Consulting was presented at the Investment Board meeting on December 6, 2012. Highlights of the report include the following:

- The FY 2014 contribution rate for regular members will be 14.88%. The employer's contribution rate will be 8.93% (an increase of 0.26% compared to the previous year) and the members' contribution rate will be 5.95% (an increase of 0.17%) takes effect July 1, 2013 (FY 2014). The contribution rate for the Sheriffs and Deputies will be 19.76%, a decrease of 0.04% compared to the previous year, and is applied 9.88% to the employer and 9.88% to the employee. The contribution rate for the protection occupation group will be 16.90%, a decrease of 0.21%, and is applied 6.76% to the employee and 10.14% to the employer.
- The actuarial accrued liability totaled \$29,446 million, an increase of \$1,189 million compared to the previous year.
- Actuarial value of assets totaled \$23,530 million, an increase of \$955 million compared to the previous year.
- Unfunded accrued liability totaled \$5,916 million, an increase of \$234.0 million compared to the previous year. The current funded ratio of the System is 79.9%.
- The estimated market rate of return during this time period was 3.73% for 2012. The assumed rate of return is 7.5% for the IPERS System. The actuarially determined rate of return was 6.75% in 2012 and includes a smoothing method.
- There are 164,200 active members (including regular and both Special Service groups). The average age is 45.8 and the average years of service are 11.6. The average salary is \$42,223. There are approximately 101,677 members or beneficiaries receiving an average annual benefit of \$14,441.

Additional information is available from the LSA upon request.

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NOVEMBER UPDATE ON THE VETERANS TRUST FUND

Fund Update. As of November 30, 2012, the Veterans Trust Fund Balance total is \$17.0 million. The total principal balance is \$16.5 million. The total spendable portion of the Trust Fund balance (including the interest income and the FY 2013 lottery transfer) is approximately \$465,000. Expenditures to date for FY 2013 have totaled approximately \$61,000.

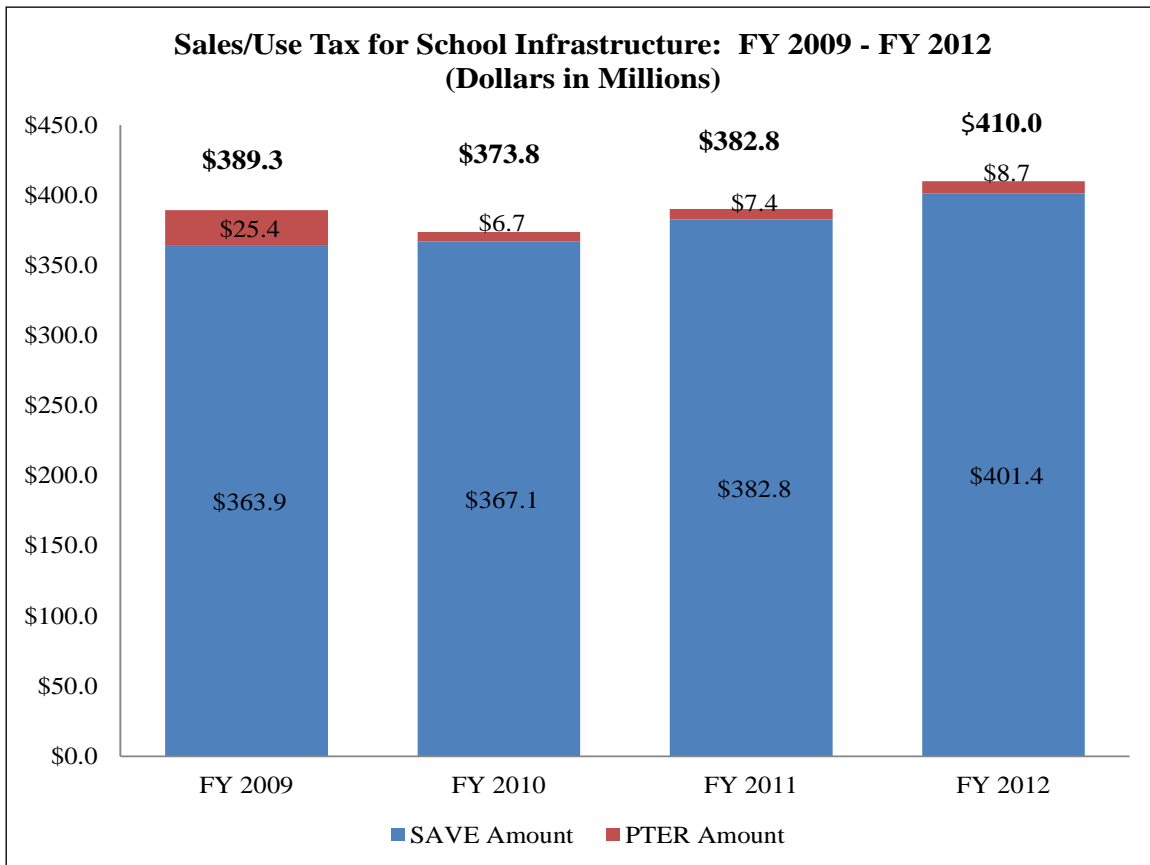
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SAVE FUND – FINAL FY 2012 ALLOCATIONS

The Department of Revenue has finalized the FY 2012 Secure an Advanced Vision for Education (SAVE) allocations and determined the amount of school infrastructure sales/use tax revenue to be transferred to the Property Tax Equity and Relief (PTER) Fund that is designated to provide property tax relief to eligible school districts in FY 2014. The final FY 2012 SAVE allocation totaled \$401.4 million. Additionally, the amount transferred to the PTER Fund totaled \$8.7 million.

The average of the final FY 2012 SAVE per pupil allocation amount was \$848 while the per pupil amounts ranged from a high of \$1,314 to a low of \$710. A total of \$27.1 million was redistributed to provide an equalization of per pupil funding for FY 2012. There were 280 school districts that had resident students in a county that received a supplement to the SAVE allocation amount while 120 districts had resident students in a county that contributed to the supplement pool. Information by school district is available on the [LSA website](#).

The following chart provides the annual totals of the State sales/use tax for school infrastructure for FY 2009 through FY 2012. The sales/use tax for school infrastructure totaled \$389.3 million, with \$369.9 million distributed to school districts through the SAVE allocation and \$25.4 million allocated to eligible school districts with the PTER Fund allocation. The last recession negatively impacted the total sales/use tax for school infrastructure resulting in totals in FY 2010 (\$373.8 million) and FY 2011 (\$382.8 million) below the FY 2009 level. The FY 2012 amount totaled \$410.0 million, with \$401.4 million allocated through the SAVE Fund and \$8.7 million transferred to the PTER Fund.



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ASHFORD UNIVERSITY ACCREDITATION

Accreditation Update. At the November 16 meeting of the College Student Aid Commission, representatives of Ashford University presented their plans for maintaining accreditation and for improving the quality of their programming and student services. Richard Pattenau, the new President and Chief Executive Officer of Ashford University, along with Gregory Geoffroy, former President of Iowa State University and the newly elected Chairperson of the Ashford University Board of Trustees, addressed the Commission. Dr. Geoffroy will assume leadership of the Board of Trustees in March of 2013.

Response to Commission. The Ashford representatives reviewed a document that outlines responses to detailed questions submitted by the Commission in September. They reported that Ashford is working closely with the Western Association of Schools and Colleges (WASC) to reapply for initial accreditation. At the same time, Ashford is in the process of ensuring and documenting compliance with requirements of the Higher Learning Commission (HLC) in order to retain accreditation with HLC until WASC accreditation is accomplished. The Commission had asked that Ashford prepare a "teach-out" plan to allow students to complete their programs in the event that Ashford closes its Clinton campus. The

response from Ashford indicates that the HLC requires a teach-out plan in only four circumstances, and the university will provide such a plan in the event that circumstances require it. The document and the discussion with the Commission highlighted changes being made by Ashford to shift from a focus on student recruitment to emphasizing student retention and improving financial accountability and student services, including:

- Reducing the number of admissions counselors from 2,200 to 800 by April 2013. The number of student advisors has been increased from 300 to 500.
- Increasing full-time online faculty members from 96 to 347 by the end of 2013.
- Increasing involvement of faculty in curriculum development and oversight, as well as increasing opportunities for professional development.
- Establishing the independence of the Ashford governing board from the leadership of its parent company, Bridgepoint Education Inc., and establishing a separate financial reporting process.

Information Online. The document detailing Ashford's responses to the Commission's questions is available at: https://www.legis.iowa.gov/DOCS/LSA/SC_MaterialsDist/2013/SDRKM000.PDF. Agendas, minutes, and other documents related to meetings of the College Student Aid Commission are available on the Commission's website at <http://www.iowacollegeaid.gov/AboutUs/boardmeetings.html>.

STAFF CONTACT: Robin Madison (515-281-5270) robin.madison@legis.state.ia.us

UPDATE – RAIL SYSTEM PLANNING STUDY

Regional Passenger Rail System Planning Study. The Iowa Department of Transportation (DOT), in coordination with the Illinois Department of Transportation and the Federal Railroad Administration, is conducting a regional system planning study between Chicago and Council Bluffs-Omaha. The purpose of the study is to evaluate potential route alternatives, evaluate levels of service and ridership, analyze environmental impacts, and determine a preferred Chicago to Council Bluffs-Omaha passenger rail route alternative for intercity regional passenger rail service. The study is a step in assessing the viability of a regional intercity passenger rail system serving Iowa and the Midwest region.

Draft Environmental Impact Statement. In order to be eligible for federal funding, the agencies must comply with the federal National Environmental Policy Act (NEPA) that requires environmental impact assessments and evaluations of potential alternatives to the proposed route. One goal for the planning study under the NEPA process is to identify reasonable and feasible routes and eliminate the ones that are not. Included in the concept of "reasonable and feasible" is that the lowest reasonable costs for capital, operations, and maintenance are identified and that the environmental impacts are minimized. The Draft Tier 1 Service Level Environmental Impact Statement (Draft EIS) evaluates the "no-build alternative" and the "build alternative." A later phase, the Tier 2 analysis, will focus on the details of a specific project or action.

Public Comment. The Draft EIS is available for review and comment. The comment period will close December 26, 2012. Public hearings were held in Chicago on December 11, 2012, Des Moines on December 12, 2012, and Council Bluffs on December 13, 2012. Also, an online self-directed meeting via the DOT will be available through December 26, 2012. The purpose of the public hearings and the online meeting is to present the overall project and the preferred route alternative and service alternatives, discuss the associated environmental impacts, and obtain public input. The public hearings and the online meeting will contain the same information, so individuals may use either to provide input. For additional information see the website: <http://www.iowadot.gov/chicagotoomaha/meetings.html>.

Additional Information and Reports Available. For more information on the planning study, reports and presentations related to the study and process, and a downloadable version of the full Draft EIS, see the DOT website: <http://www.iowadot.gov/chicagotoomaha/>.

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BOARD OF PAROLE APPROVES ASSESSMENT TOOL

Risk Assessment Tool for Parolees. [Iowa Code section 904A.4](#) requires the [Board of Parole](#) to implement a risk assessment tool that provides analysis for the Board to use in its decision making process. The Board recently approved a risk assessment tool developed by the [DOC](#) Research Director Lettie Prell. The Iowa Parole Risk Assessment (IParole) predicts risk of violence and victimization based on the current offense, criminal history, criminal orientation, and age in an attempt to reduce recidivism. The tool has been validated on the Iowa offender population. This new risk assessment tool excludes certain sex offenders; there are more specific tools validated for that offender population.

Utilization. Board of Parole staff is currently focusing on assessing offenders as they come up for parole review. The Board and DOC staffs are planning to begin completing assessment as offenders are admitted to the Iowa Medical Classification Center at Oakdale. The DOC staff will use the results in combination with a battery of other assessment tools, to develop case management plans based on offender risk and needs at the start of the prison sentence. This process was developed using evidence-based practices aimed at reducing recidivism.

STAFF CONTACT: Beth Lenstra (Ext. 16301) beth.lenstra@legis.iowa.gov

CORRECTIONS GRANT AWARD

Grant Received. The DOC received a \$2.5 million multiyear award from the U.S. Department of Justice' Second Chance Act grant funds. The grant will support staff and treatment costs in the Fifth Community-Based Corrections (CBC) District Department, and also funds a research component contracted with the Criminal and Juvenile Justice Planning Division (CJJPD) at the Department of Human Rights.

Utilization. The grant will focus on re-entry of offenders to the community, to reduce recidivism, provide re-entry services, conduct research, and evaluate the impact of re-entry programs. The grant provides one Parole/Probation Officer (PPO) II Supervisor, two PPO IIIs, four PPOIIs, two Community Program monitors, and one Secretary. The grant started in October 2012 and is scheduled to end in March 2015. There will be 500 male offenders of moderate to high risk supervised by staff using motivational enhancement therapy and cognitive therapy in a group setting.

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IOWA TELECOMMUNICATIONS AND TECHNOLOGY COMMISSION MEETING

November Meeting. The Iowa Telecommunications and Technology Commission (ITTC) met on November 15, 2012. For more information, refer to the ITTC website at: <http://www.icn.state.ia.us/ittc/>. The following items are highlights from the meeting discussion:

- **Video Service Project.** The ICN is undertaking a video service project to focus on developing its Internet Protocol (IP) video technology and IP video conferencing services. The Video Service Project team has been working toward a Limited Market Offering (LMO) that will include high resolution capabilities from low bandwidths using standards-based technology. The LMO was originally slated for November 15, 2012, but due to technical issues with Polycom providing the core network and some other contractual concerns, the LMO is now scheduled for January 15, 2013.
- **Broadband Technology Opportunities Program (BTOP) Grant.** The upgrade of the core is complete. The upgrade afforded by the BTOP grant project will provide bandwidth over 10 gigabits per second (Gdps) to all 99 counties. Approximately 82.0% of 364 Part III ICN connection sites increased bandwidth. The total project is 67.0% complete and is still on target for a June 2013 completion.
- **Request for Proposal (RFP) Sale/Lease Status.** Fiberutilities Group has completed a draft of the RFP. The ICN staff will review it to ensure that it meets the requirements of the legislation and determine if the RFP Implementation Team needs to review it as well. Under the planned schedule, the ICN will issue the RFP in February 2013 and receive responses in March 2013. Feedback given

to the ICN from third party entities was that the timeline may not allow sufficient time to respond. The ICN is taking that into consideration as they get ready to issue the RFP.

- **Administrative Telecommunications Advisory Council.** The Council provided a forum for collaboration and a means for administrative uses and users of the video services of the ICN to communicate their needs and issues. After an informal survey, it was determined that the Council was not being utilized and could be disbanded. The ITTC approved disbanding the Council. The ICN will continue to provide information to the administrative users via its newsletters and obtain feedback in its annual survey, as well as be open to communications that occur during the year.
- **Vacant Commissioner Position.** Commissioner Shannon Colfield has moved on to another endeavor and is unable to continue her term with the ITTC. The position is now vacant and awaiting a gubernatorial appointment. When fully appointed, the ITTC consists of five voting members and one ex-officio member, the Auditor of State.
- **General Fund Appropriation.** Dave Lingren, Executive Director of the ICN, mentioned that there has been some discussion about restoring the General Fund appropriation to the ICN to subsidize video rates and help reduce the voice rates to State agencies. While the ICN is not advocating for the appropriation, the topic may be an item for discussion in the General Assembly.
- **Additional Information on Video Subsidization.** The ICN has not received a General Fund appropriation for video subsidization since FY 2004, when the appropriation was \$488,750. At that time, the General Assembly had reduced the amount of funding for that purpose because the ICN had attained Common Carrier status in December 2000 and was able to subsidize some of the video rates with the federal Universal Service Fund (USF). Between FY 1997 and FY 2004, approximately \$20.1 million was appropriated from the General Fund to the ICN for video subsidization, averaging \$2.5 million annually for those fiscal years. Since FY 2004, the ICN has covered the costs of video production through its revenues and the E-rate funds received from the USF. In order to keep the rates reduced for schools and libraries, the voice rates have been somewhat higher than the industry. The E-rate video conferencing discounts that are received are passed on to school districts and libraries. The appropriation to the ICN for various equipment needs, typically from the Technology Reinvestment Fund, acts as the required State match to receive these USF E-rate funds that average approximately \$1.4 million annually.

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NEW AUDIO FISCAL TOPICS

Newly Published. The LSA has recently published three new audio fiscal topics to the LSA website: <https://www.legis.iowa.gov/LSAReports/AudioVideo/fiscalOneOnOnesAudio.aspx>. To sign up for e-mail alerts when new audio fiscal topics are published, [click here](#). New audio fiscal topics include:

- **Title** – Prison Operations. **Description** – Interview by Beth Lenstra with Jerry Burt, Deputy Director of the Iowa DOC, regarding the 1981 prison riot at the Iowa State Penitentiary at Fort Madison, changes in prison operations as a result of the riot, and the DOC's mission in managing the institutions.
- **Title** – State Budget Process. **Description** – Interview by Shawn Snyder with Dave Reynolds, Senior Legislative Analyst with the Legislative Services Agency, regarding Iowa's budget process.
- **Title** – Iowa School Aid Funding Formula. **Description** – Interview by Dave Reynolds with Shawn Snyder, Division Administrator with the Legislative Services Agency, regarding the Iowa school aid funding formula.

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MEETINGS MONITORED

The following meetings were monitored by Fiscal Services staff.

Meeting	Date	Staff Contact
Rebalancing Health Care in the Heartland Conference	11/13/2012	Aaron Todd (281-6764) or Jess Benson (281-4611)
Council on Human Services	11/14/2012	Aaron Todd (281-6764) or Jess Benson (281-4611)
Iowa Finance Authority	11/14/2012 12/05/2012	Kent Ohms (725-2200)
Iowa Telecommunications and Technology Commission	11/15/2012	Marcia Tannian (281-7942)
Community-Based Corrections District Directors Meeting	11/15/2012	Beth Lenstra (281-6301) Jennifer Acton (281-7846)
Mental Health and Disabilities Workforce Workgroup	11/16/2012	Aaron Todd (281-6764)
College Student Aid Commission	11/16/2012	Robin Madison (281-5270)
Environmental Protection Council	11/20/2012	Adam Broich (281-8223)
Iowa Innovation Council	11/28/2012	Kent Ohms (725-2200)
Children's Disabilities Workgroup	11/29/2012	Aaron Todd (281-6764)
Iowa Workforce Development Board	11/29/2012	Kent Ohms (725-2200)
Child Abuse Training Reporting Committee	12/04/2012	Aaron Todd (281-6764)
E911 Council	12/05/2012	Jennifer Acton (281-7846)
Iowa Statewide Interoperable Communications System Board	12/05/2012	Jennifer Acton (281-7846)
Iowa Law Enforcement Academy Council	12/06/2012	Beth Lenstra (281-6301)
Water Resources Coordination Council	12/06/2012	Adam Broich (281-8223)
Mental Health Commission	12/06/2012	Jess Benson (281-4611) Aaron Todd (281-6764)
Iowa Arts Council	12/07/2012	Kent Ohms (725-2200)
Tobacco Use Prevention and Control Commission Meeting	12/07/2012	Aaron Todd (281-6764)
Criminal Justice Information System (CJIS) Advisory Committee	12/13/2012	Jennifer Acton (281-7846)

This document is available online at: <https://www.legis.iowa.gov/LSAReports/fiscalUpdate.aspx>

APPENDIX A Summary of Governor's Budget Hearings

Administration and Regulation

Iowa Lottery Authority. On December 13, Director Terry Rich presented the Iowa Lottery's budget at the Governor's Budget Hearing. The Lottery is projecting total revenues of \$281.5 million for FY 2014 and \$288.2 million for FY 2015. The Authority has budget transfers to the General Fund of \$59.4 million and \$59.7 million for the two years. The Veterans Trust Fund is budgeted to receive \$2.8 million in each year. The operating budgets are \$13.0 million in FY 2014 and \$14.5 million in FY 2015.

The discussion focused on factors affecting the Lottery sales: fuel prices, gray machines that offer merchandise prizes rather than cash and cut into pull-tab sales, competition for entertainment dollars from other sources, and the concentration of retailers with the top 20.0% of the companies selling 51.0% of the product. The Lottery continues to evolve and develop new games to maintain players' interest. They continue to analyze the market, improve security, and maintain the integrity of the Lottery.

STAFF CONTACT: Dwayne Ferguson

Department of Administrative Services. On December 13, Director Mike Carroll presented the Department of Administrative Services FY 2014 and FY 2015 budget request at the Governor's public hearing. The Department is requesting status quo funding from the General Fund for both years. Some of the topics discussed include:

- **Information Technology (IT) Consolidation:** The consolidation is progressing, and there will be a budget increase in the form of utility revenues charged to State departments. DAS estimates the reductions in IT costs for the departments will be greater than the increased revenues for DAS because of increased efficiencies.
- **Vehicle Fleet:** DAS is in the process of evaluating the relocation of the State vehicle fleet off the Capitol complex.
- **Energy Management Revolving Fund:** DAS is examining the establishment of a revolving fund as an infrastructure bank to pay for energy efficiency improvements. Payback periods and collection methods are being considered.
- **Human Resources System:** The current computer system was put into operation in 1976, and DAS is examining replacing it.
- **Terrace Hill Quarters:** The Governor complimented DAS on the removal of black mold and the restoration of the Governor's residence.

STAFF CONTACT: Dwayne Ferguson

Department of Commerce. On November 29, the Department of Commerce Divisions' budget requests for FY 2014 and 2015 were presented at the Governor's Budget Hearing. The request, by Division, includes:

- **Alcoholic Beverages Division** – The Division request is for a status quo budget of \$1.2 million. Sales of alcoholic beverages are increasing, and the growth was attributed to increased availability of flavored liquors and removal of statutory restrictions leading to more small points of sale. The Division generated \$115.1 million in revenues for the State in FY 2012. The beer tax raised \$14.7 million; \$78.5 from sales profits was transferred into the State General Fund; \$17.9 million was transferred to the Department of Public Health for substance abuse programs; \$280,000 went to the Economic Development Authority to support the Midwest Grape and Wine Institute at Iowa State University and to promote native breweries and wineries; and cities and counties received \$3.6 million in remitted license sales.
- **Banking Division** – The Division is primarily funded by the Commerce Revolving Fund and is requesting a status quo budget of \$9.1 million for FY 2014 and FY 2015. The problem of finding qualified applicants for bank examiner positions and retaining young experienced staff was discussed. After obtaining a few years of experience, young staff is leaving for private sector jobs

and receiving 20.0% to 40.0% salary increases. Professional Licensing and Regulation is housed in the Division of Banking and requests a status quo budget of \$600,000 from the General Fund and \$62,000 from the Housing Improvement Fund.

- **Credit Union Division** – The Division is requesting a status quo budget and is relying on the savings from the retirement of a senior examiner to meet budget. The Division regulates 121 credit unions, and no credit unions are in financial trouble at this time.
- **Insurance Division** – The Division is moving into the Two Ruan Building in April or May 2013 and is requesting an increase of \$20,000 in FY 2014 and \$45,000 in FY 2015 from the Commerce Revolving Fund to pay for increased rent. Otherwise, the Division is requesting a status quo budget. The Division echoed the other Divisions' issue of retaining younger staff at the current pay levels. It was also mentioned that the Division transfers \$17.0 million to \$18.0 million in insurance industry fees to the General Fund.
- **Utilities Division** – The Division is requesting a status quo budget. The Utilities Division is funded by assessments paid by the utilities industry to the Commerce Revolving Fund. As with the other divisions, the Utilities Division has lost staff to more lucrative opportunities in the private sector. Comments were made about upcoming rate cases and about Iowa's energy sources. Approximately 65.0% of the electricity comes from coal, and about 20.0% comes from wind energy.
STAFF CONTACT: Dwayne Ferguson

Department of Human Rights. On November 29, 2012, Director San Wong presented the FY 2014 and FY 2015 budget request at the Governor's Budget Hearing. The Department is requesting a status quo budget of \$2.3 million from the General Fund for both years.

The Department relies on federal funding for a number of programs that could be negatively impacted by the sequestration of federal funds. The Low-Income Home Energy Assistance Program (LIHEAP) program had a 25.0% cut in federal funding FY 2012 and could see another 10.0% cut in FY 2013. The Weatherization Assistance Program is looking at a 65.0% reduction with the expiration of federal stimulus funding leaving the Program dependent on carry-forward funds and funds supplied by utility companies. The Criminal and Juvenile Justice Planning Division expects an 8.2% reduction in federal funding most of which affects grants that are passed through to local agencies.

STAFF CONTACT: Dwayne Ferguson

Department of Revenue. On November 29, Department Director Courtney M. Kay-Decker presented the FY 2014 and 2015 budget request at the Governor's budget hearing. The Department is requesting a status quo budget of \$17.7 million from the General Fund for FY 2014 and FY 2015.

The Department is also responsible for administering several standing appropriations. Ms. Kay-Decker discussed the potential increase in cost of printing cigarette stamps. Nationally, there is one producer of the stamps, and that company is implementing new technologies to make counterfeiting the stamps more difficult. Ms. Kay-Decker commented on the potential for more printers moving into the market, driving down the price. The Governor asked about the four property tax credits and commented that he is looking toward fully funding them.

The Director discussed implementation of automation for the billing process, document processing, and desktop computer upgrades. The Department is continuing to evaluate and prepare for replacement of the outdated computer system used for most tax processing.

STAFF CONTACT: Dwayne Ferguson

Inspections and Appeals. On November 27, Director Rod Roberts presented the Department of Inspections and Appeals' (DIA) FY 2014 and FY 2015 budget request at the Governor's public hearing. Overall, the request for both years is the essentially the same as FY 2013. The request shifts \$3.0 million in funding for operations from the Medicaid Fraud Fund to the State General Fund and requests \$125,000 from the Riverboat Regulation Fund for a statutorily required socioeconomic study on the impact of gambling on Iowans. The statute requires the study to be done every eight years.

The Director reported that the implementation of the new federal inspection survey methodology was on hold because of implementation problems in the first states to use the new methodology. Iowa is in a

later group of states to implement the new methodology. It is not known how the methodology will be modified or when implementation will resume.

The Department continues to utilize LEAN methodology. Two Kiasen projects were completed, one of which was a cross-department project with the Department of Human Services.

STAFF CONTACT: Dwayne Ferguson

IPERS. Donna Mueller, Chief Executive Officer (CEO) of the Iowa Public Employees' Retirement System (IPERS), presented the FY 2014 and FY 2015 budget request to the Governor and Lieutenant Governor on November 29, 2012. No General Fund dollars were requested. The FY 2014 budget request from the IPERS Trust Fund is \$17.7 million and 90.13 FTE positions. The budget request for FY 2015 is \$15.7 million and 90.13 FTE positions which is a decrease of \$2.0 million compared to the FY 2014 budget request. The decrease is due to the completion of the pension system upgrade (I-Que System).

The IPERS Trust Fund balance as of June 30, 2012 was \$23.2 billion. Karl Koch, the Chief Financial Officer (CFO) of IPERS, reported that the Trust Fund balance at the end of November 23, 2012 was \$23.9 billion. This past year, IPERS served 102,000 retirees and beneficiaries and paid \$1.5 billion in benefits of which 89.0% of the benefits remained in Iowa. In FY 2012, IPERS also prepared 78,359 retirement estimates, provided counseling to 12,420 members, and had 6,201 new retirees.

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Iowa Ethics and Campaign Finance Disclosure Board. Megan Tooker, Executive Director and Legal Counsel for the Ethics and Campaign Finance Disclosure Board, presented the FY 2014 and 2015 budget request. It is a status quo request of \$490,000 for both years. Ms. Tooker noted the budget still includes an annual \$50,000 cost for State Employee Retirement Incentive Program (SERIP) retirees. The issues that were discussed included electronic filings and development of data base querying, reporting on independent expenditures and disclosure of contributors, complaint procedures and speeding up the process, education outreach, and personal finance reporting.

STAFF CONTACT: Dwayne Ferguson

Office of Drug Control Policy. Director Steven Lukan presented the FY 2014 and FY 2015 budget request at the November 29 Governor's Budget Hearing. The request is for a status quo budget of \$240,000 for each year. The Office laid off four staff, moved into the Pape State Office Building, and contracted with the Department of Public Safety for administrative support as required in FY 2013 appropriations language. Mr. Luken discussed working with the Iowa National Guard on several projects, with the Alcoholic Beverages Division on synthetic drugs, and with the Department of Corrections on a Mental Health Court Grant. The Office is also interested in developing D.A.R.E. curriculum for later grades.

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Agriculture and Natural Resources

Department of Agriculture and Land Stewardship. On December 6, 2012, the Governor held a budget hearing regarding the Department of Agriculture and Land Stewardship (DALs). The DALs requested \$18.1 million from the General Fund for FY 2014, an increase of \$623,000 compared to FY 2013, for increased personnel and benefit costs.

The DALs requested \$16.2 million from the Environment First Fund (EFF), an increase of \$2.4 million compared to FY 2013, for a new Water Quality Nutrient Reduction Program. The Program will begin implementation of the Iowa Nutrient Reduction Strategy, released for public comment in mid-November. Of the \$2.4 million total, \$575,000 is for marketing and outreach, \$1.7 million is for water quality practices, and \$150,000 is for a full-time Program Coordinator.

The status of agricultural drainage wells was also discussed. The DALs requested to maintain current funding levels of \$1.6 million for agriculture drainage well closure, with \$555,000 from the EFF and \$1.0 million from the Rebuild Iowa Infrastructure Fund. The FY 2013 appropriation is expected to close another 12 drainage wells, leaving 34 known drainage wells in Iowa.

STAFF CONTACT: Adam Broich

Department of Natural Resources. On November 28, 2012, the Governor held a budget hearing regarding the Department of Natural Resources (DNR). The DNR requested \$14.6 million from the General Fund for FY 2014. Of the total General Fund request, \$12.5 million is for operations. There is no change in the DNR request compared to the FY 2013 appropriations.

The Department Director, Chuck Gipp, highlighted several budget challenges including:

- Defeasance of the Honey Creek Resort bonds was discussed. The current agreement has bond payments paid from operating profits at Honey Creek Resort. Although the Resort is operating at a profit, revenue is insufficient to make the bond payments. Currently, the annual bond payments are allocated from the Resource Enhancement and Protection (REAP) Fund. The estimated balance of the bonds is \$27.0 million.
- State Park operations were discussed, including the challenges of maintaining and operating the State Parks with reduced staffing levels.
- Delegation of the Clean Water Act oversight for the National Pollutant Discharge Elimination System (NDPES) and inspection of animal feeding operations. Currently, the Department does not have adequate staff to inspect a facility every five years, as required by federal rules.
- Continuing efforts to manage threats to the health of Iowa forests.
- Uncertainty in federal funding resulting from the federal budget sequesters.

Director Gipp highlighted several continuing initiatives:

- Agency restructuring that included reorganizing the licensing, communications, engineering, and information technology areas.
- Healthy Iowans Program that will be introduced in April 2013. Iowa citizens will be able to obtain a card listing numerous activities to be completed at State Parks. The Department is looking for a corporate sponsor to provide prizes to participants that complete all activities.
- Implementation of a Health and Safety Plan that will ensure working conditions within the Department are safe for all employees.
- LEAN events that streamline processes within the Department's operations.
- State Parks stakeholder meetings that are geared toward increasing community involvement in State Parks, and collecting input from park users.
- Collaboration with other State Agencies
 - Economic Development Authority
 - Department of Agriculture and Land Stewardship

STAFF CONTACT: Deb Kozel

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Economic Development

Iowa Economic Development Authority (IEDA). At the budget hearing for the IEDA on November 26, Director Debi Durham outlined the goals of the administration and the accomplishments of the Authority over the past two years in helping meet those goals. The presentation also focused on “Building Iowa’s Brand” through enhanced marketing efforts and statistics on the Authority’s current awards under contract. The Director proposed a budget that was different from the Department Request submitted on October 1, 2012. The IEDA’s proposed budget consisted of:

- An Operations appropriation of \$8.8 million. This is a decrease of \$983,000 compared to the FY 2013 appropriation due to transferring expenditures for tourism promotion to a new appropriation.
- A new Marketing Appropriation of \$6.0 million. This will include \$3.8 million for marketing that was previously paid for through the High Quality Jobs Program and Economic Development Fund appropriations, \$1.5 million for tourism marketing which was previously paid for through the General Fund appropriation for operations, and \$700,000 for certified site marketing.
- An Incentives appropriation of \$20.0 million that includes \$19.0 million for the High Quality Jobs Program and \$1.0 million for technical assistance for Employee Stock Ownership Programs. This will be an increase of 33.3% compared to the \$15.0 million appropriation from the Rebuild Iowa Infrastructure Fund in FY 2013.

Director Durham also discussed the need for an unspecified aggregate tax credit cap increase in the current fiscal year, stating that the amount necessary would be dependent on income tax reform.

Iowa Finance Authority (IFA): Director Dave Jamison briefly highlighted the three appropriations that the IFA receives or has interest in. This includes the Rent Subsidy Program, the State Housing Trust Fund, and the Military Homeownership Assistance Program. Director Jamison also reported that the State Housing Study is scheduled to be released at the January Board Meeting.

Department of Cultural Affairs (DCA): At the budget hearing for the DCA on December 13, Director Mary Cownie outlined the current goals of the department to update the current technology utilized by the department, enhance its current educational and cultural outreaches, increase public/private partnership opportunities, improve customer services, and constantly evaluate organizational efficiency.

The presentation focused on the various components of the DCA and the future reorganization that are being considered, including the merger of the Archives and Records Bureau with the Library Bureau and also making the Museum its own division. Also being undertaken by the Department is the development of the position for the new Film Office and design of a new website.

The DCA is seeking an additional \$500,000 to enhance staffing and exhibits for the Museum. The Department has raised approximately \$140,000 for exhibit enhancements through the State Historical Building 25th Anniversary Gala hosted December 14. There was also a request for \$51.0 million in FY 2014 and \$50.0 million in FY 2015 for renovations to the State Historical Building.

Public Employment Relations Board (PERB): At the budget hearing for the PERB on December 10, Chairman Jim Riordan and Board Members Janelle Niebuhr and Jamie Van Fossen presented the FY 2014 budget request and accomplishments of the past year.

With the additional resources provided by the General Assembly in FY 2013, the PERB has added an Administrative Law Judge, hosted their first conference in three years, and sent members for training. The PERB is also in the process of a website redesign and review of Administrative Rules. The Board members also discussed the potential for more administrative efficiencies through putting databases online and allowing for online filing of certain documents.

The PERB proposed a budget that was different from the Department Request submitted on October 1, 2012. For FY 2014, the PERB requested a General Fund appropriation of \$1.3 million, an increase of \$63,500 (5.0%) compared to FY 2013. The increase will fund an additional administrative law judge.

Iowa Workforce Development (IWD): At the budget hearing for IWD on December 10, Director Theresa Wahlert reviewed Iowa's current unemployment situation and the Department's current outlook on funding for FY 2014. With the estimated State and federal revenue, and the projected operational costs in the coming fiscal year, the IWD currently projects a \$4.0 million funding gap. This number increases to \$8.3 million if federal sequestration cuts go into effect.

The Offender Reentry Program has expanded and is now also available at the Clarinda Correctional Facility. A Request For Proposals (RFP) for software licensing for Learning Express was recently awarded to the State Library, and the development of a unique login process for users of the virtual access points is still in development. The Department has also taken steps to save money through reducing their rental footprint in some field offices, centralizing staff responsibilities, and negotiating interagency cost containment agreements.

The IWD was also awarded a \$3.1 million grant from the U.S. Department of Labor to fund 12 projects that will support the integrity and efficient management of the Unemployment Insurance (UI) Program. Certain aspects of these projects will offset wages being paid for by the UI Base Grant and allow for additional savings to the Program.

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Education

Department of Education. On December 10, Director Jason Glass presented the Department of Education's budget request for FY 2014 and FY 2015 to the Governor. The Department is not requesting any increases in General Fund appropriations for FY 2014 and FY 2015. The Department is requesting an increase of \$400,000 for FY 2014 for the Statewide Education Data Warehouse from the Technology Reinvestment Fund. Also from the Technology Reinvestment Fund, the Department is requesting an increase of \$920,000 for ICN Part III Leases & Maintenance Network. The increases are a result of the rising costs of systems.

Director Glass noted the potential impact of sequestration would impact the Department's and Area Education Agencies (AEAs) work with children with disabilities and special needs. If sequestration were to happen these programs would face disruptions.

Work on costs related to the education reform package, specifically the recommendations from the Teacher Leadership and Compensation Task Force, are still being worked on by the Department according to Glass.

STAFF CONTACT: John Parker

Vocational Rehabilitation Services. On November 26, 2012, Administrator David Mitchell presented Iowa Vocational Rehabilitation Services Division budget request for FY 2014 and FY 2015 to the Governor. Mr. Mitchell requested an increase of \$371,000 compared to FY 2013 appropriation and \$890,000 increase for FY 2015 compared to the FY 2014 request. The requested increases will allow the Division to maintain current delivery of service and preserve staff levels according to Mr. Mitchell.

Mr. Mitchell noted without the increased funding the Division will serve 1,000 less people in FY 2014 and 3,000 less in FY 2015. Individuals not served by the Division are added to a waiting list that averaged 3,813 people in 2011 and 3,258 in 2012. Currently, the waiting list has 2,020 people.

STAFF CONTACT: John Parker

Department for the Blind. On November 26, 2012, Director Richard Sorey presented the Department for the Blind's budget request for FY 2014 to the Governor. Director Sorey requested an increase of \$550,000 compared to the FY 2013 appropriation. The increase includes \$375,000 for the Department's Vocational Rehabilitation Program and \$175,000 for Independent Living Services (ILS). The additional funding for Vocational Rehabilitation would be used to enhance and extend services, serve additional clients, create advanced training opportunities, continue to develop a web based training system, develop

community partnerships, and grow business enterprise programs, according to Director Sorey. He noted the additional funding for ILS would be used to support the current programs for the 1,100 clients annually being served by ILS.

STAFF CONTACT: John Parker

Board of Regents. Members and staff of the Board of Regents, as well as the presidents of the three State universities, presented the FY 2014 budget request to the Governor at a hearing on November 26. The budget request includes:

- An increase of 2.6% in general university appropriations for the three institutions, a 3.0% increase for the special schools, an additional \$4.0 million in general university funding for the University of Northern Iowa, a 4.0% increase for Iowa Public Radio, and larger increases for the University of Iowa's Oakdale Campus (10.0%) and State Hygienic Laboratory (24.5%) to address specific needs.
- New funding requests of \$7.0 million for the University of Iowa to lead a joint effort among the three universities in regard to entrepreneurship and economic growth and \$7.5 million for a program at Iowa State University focused on developing programs related to the bioeconomy.
- The Board of Regents is also requesting a new appropriation of \$39.5 million for need-based student financial aid at the three institutions. If the funding is appropriated, tuition at the universities would be reduced accordingly in FY 2014. The new student aid program would replace the practice of tuition set-aside that has been discontinued.

STAFF CONTACT: Robin Madison

College Student Aid Commission. At the November 16 meeting of the College Student Aid Commission, the commissioners voted to submit their own budget request for FY 2014 in addition to the status quo request submitted by Commission staff as requested by the Department of Management.

Both budget requests were presented to the Governor at a budget hearing on November 26. The commissioners' request includes a 4.0% increase over FY 2013 appropriations for each of the State aid programs, with the exception of the Iowa Tuition Grant for For-Profit Institutions. The commissioners requested no increase for the for-profit program.

The commissioners also requested a 265.7% increase in the appropriation for general administration, from \$233,000 in FY 2013 to \$852,000 in FY 2014. The discontinued Federal Family Education Loan Program (FFELP) had generated revenue for the Commission that was used to subsidize administration of State aid programs. Management of the remaining FFELP loan portfolio has been outsourced, and revenue from the portfolio will continue but decline gradually over the next 10 years. The requested \$852,000 for FY 2014 would fully fund administration of State aid programs.

At the November 26 budget hearing, Commission Chairperson Janet Adams explained that the 4.0% increase to State aid programs will restore funding to the FY 2010 level prior to the across-the-board reduction. It includes restoring funding for the Iowa Tuition Grant to a level that would support a maximum award of \$4,000.

Also at the budget hearing, there was a discussion of the costs of providing post-secondary registration for out-of-state institutions offering distance education within Iowa. The registration fees charged by the Commission are deposited to the State's General Fund and are not available to cover the costs of administering the program. The fee is set by State statute and is lower than in other states.

It was noted that there is currently no reciprocity between states for the federally required program. Currently, Iowa does not require registration of in-state institutions but must research each out-of-state institution that requests registration in Iowa. Likewise, Iowa institutions wishing to offer distance education in other states must submit information and pay fees in each of those states. The Midwest Higher Education Compact (MHEC) is exploring the possibility of establishing a reciprocity program that would require each state to register its own in-state institutions and then require participating states to accept registrations from other states.

STAFF CONTACT: Robin Madison

Iowa Public Television. On November 29, 2012, Iowa Public Television (IPTV) presented their budget request for FY 2014 and FY 2015 to the Governor. IPTV is requesting \$369,000. This includes 1.0 FTE for FY 2014 and FY 2015 for the Ready for School initiative. The Initiative assists Iowa communities to implement community based plans to improve math and literacy skills of two to eight year old children from low income families through training and resource education and increased access to high-quality educational media resources for families, caregivers, and educators. The additional funding will enable IPTV to add 25 new communities per year to the Initiative. The Ready for School initiative goal is to surround children, parents, caregivers, and early educators with literacy based media content, online games, instructional materials, and educational activities to help children increase their school readiness. The initial focus will be on recruiting communities with high concentrations of economically disadvantaged children and communities with schools identified as being in need of assistance.

IPTV is also requesting \$105,000 for FY 2014 and \$110,000 for FY 2015 for equipment maintenance agreements

IPTV included their capital improvement request in their presentation to the Governor. IPTV is requesting \$960,000 for FY 2014, \$873,000 for FY 2015, and \$1,085,000 for FY 2016 for replacement of the equipment at IPTV's network's studios and transmission facilities. The amount requested was determined by the age and condition of current systems and the Estimated Equipment Life document created by PBS and member stations. The plan for FY 2014 includes the following:

- Replace the Orneon Media Server (\$630,000). This is the primary video server for all IPTV content.
- Replace the LTO tape drives (\$90,000). This is the primary media archive.
- Replace the tower lighting system at Fort Madison translator site (\$60,000).
- Replace the roof (\$30,000) at the KBIN (Council Bluffs) transmitter site.
- Paint the tower (\$20,000- 1/3 share) at KDIN (Des Moines).
- Replace three IT-based servers in the broadcast network systems (\$47,000).
- Replace all of the receivers used at the transmitter sites (\$36,000).
- Install security systems at all of the transmitter sites (\$42,000).
- Install a security fence at Decorah (\$5,000).

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Health and Human Services

Department of Human Services. Charles Palmer, Director of the Department of Human Services (DHS) presented the FY 2014 budget request to the Governor and Lieutenant Governor on December 10, 2012. The DHS requested a General Fund increase of \$206.7 million (12.9%) compared to estimated FY 2013. The majority of the increase, \$182.5 million, is due to increases in health related expenses such as Medicaid.

During the presentation, the Governor and the Department discussed the increased need for the Medicaid Program in FY 2014 and the need for a supplemental appropriation in FY 2013. The current supplemental needs include \$43.0 million for FY 2013 and the DHS requested \$155.5 million for the Program for FY 2014. For more information on the FY 2013 and FY 2014 Medicaid need and the latest projections, please see the November Medicaid forecast:

<https://www.legis.iowa.gov/DOCS/IsaReports/medicaid/2012/November.pdf>.

More information about the FY 2014 DHS budget request is available at:

<https://www.legis.iowa.gov/DOCS/IsaReports/BudgetAnalysis/DeptArchives/FY%202014.PDF>.

STAFF CONTACT: Jess Benson

Department of Public Health. Dr. Mariannette Miller-Meeks, Director of the Department of Public Health (DPH), presented the FY 2014 budget request to the Governor and Lieutenant Governor on November 27, 2012. The DPH has officially requested a General Fund increase of \$2.2 million (4.5%) compared to estimated FY 2013 but noted two reductions to the Department's request since it was officially filed. Proposed funding changes include:

- An increase of \$50,000 for a social media campaign targeting tobacco use reduction.
- An increase of \$50,000 for a youth suicide prevention program. The DPH was appropriated \$50,000 from the General Fund in the Standings Appropriations Act for FY 2013 for this purpose.
- An increase of \$215,000 to support the continued work of the Prevention and Chronic Care Management Advisory Council. This Advisory Council was funded in previous years from the Health Care Transformation Account (HCTA) in the amount of approximately \$233,000 in FY 2013.
- An increase of \$25,000 for the establishment of the Director's Wellness Council.
- An increase of \$30,000 to support the DPH's environmental inspection activities that were previously conducted by Polk County. The General Fund support would be in addition to retained fees collected for the inspections. Since the DPH officially submitted its FY 2014 budget request, Polk County has decided that it will continue environmental inspections and, as a result, the DPH is no longer requesting this funding.
- An increase of \$488,000 to support and maintain environmental health programs due to a reduction in federal funding, cost increases, and the perceived inability to retain certain fees collected during inspections.
- An increase of \$28,000 to transition orthoists, prosthetists, and pedorthists to a license fee model as a component of the Board of Podiatry. This is a one-time request to support license database changes, staffing, and increased Board costs associated with the addition of new practitioners to the Board.
- An increase of \$1.4 million to transition the information technology (IT) function from the DPH to an enterprise model managed by the Department of Administrative Services (DAS) and cover other DAS service cost increases. Since the DPH officially submitted its FY 2014 budget request, cost projections for IT consolidation have been reduced to \$850,000.

The changes proposed since the DPH officially submitted its FY 2014 budget request reduce the General Fund increase to \$1.6 million (3.3%) compared to estimated FY 2013.

STAFF CONTACT: Estelle Montgomery

Other Funds. The DPH has no request from Other Funds, a reduction of \$233,000 from the HCTA compared to estimated FY 2013. The \$364,000 allocation to the Iowa Health Information Network (IHIN) is no longer necessary as the IHIN is now fully supported by federal grants and user access fees. The DPH is proposing the elimination of the Health Care Access Council, saving \$134,000. And the DPH is proposing funding for the Prevention and Chronic Care Management Advisory Council be moved to the General Fund in the amount of \$215,000, a decrease of \$18,000 compared to estimated FY 2013.

Federal Funds. The DPH is anticipating a \$3.6 million (2.0%) reduction in federal funding compared to estimated FY 2013.

STAFF CONTACT: Estelle Montgomery

Department of Veterans Affairs. Director Jodi Tymeson presented the Department of Veterans Affairs budget to the Governor and Lieutenant Governor on December 13, 2012. The budget request for FY 2014 is an increase of \$67,689. Of this amount, \$13,689 is for rent to the Department of Public Defense (DPD) and \$54,000 is for increased charges for DPD services such as payroll, human resources, accounting, purchasing, etc. Veterans Affairs also has a RIIF request totaling \$137,940 that will be paid to the DPD for renovation costs for a building Veterans Affairs is moving into on Camp Dodge. The request for FY 2015 is an increase of \$936 for increased rent to the DPD.

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Justice System

Iowa Law Enforcement Academy. Director Ciechanowski presented the Iowa Law Enforcement Academy (ILEA) budget to the Governor and Lieutenant Governor on November 28, 2012. The Director discussed the Academy and how the ILEA is researching the use of iPads to save approximately \$35,000 a year in duplication costs of materials. The classrooms at ILEA have been renovated. In FY 2012, approximately 158 officers went through the 14-week Basic training course and 3,584 officers attended continuing education classes at the ILEA. For FY 2013, approximately 170 officers will go through the Basic Academy.

The only budget increase the ILEA requested was \$26,000 for an increase in billings for accounting services from the Iowa National Guard, Department of Public Defense. Major maintenance is done by the National Guard but all routine maintenance is performed by ILEA staff. The Director indicated that he would like to fill a vacant janitorial position in the future to help with routine maintenance around the building.

STAFF CONTACT: Jennifer Acton

Department of Public Safety. Commissioner Brian London of the Department of Public Safety (DPS) presented the FY 2014 and FY 2015 budget to the Governor and Lieutenant Governor on November 28, 2012. The Department's request was status quo, except for the following:

- An increase of \$1.6 million to replenish the Vehicle Depreciation Fund.
- An increase of \$5.0 million for the Peace Officers' Retirement System for unfunded liabilities.
- A decrease of \$48,000 for the Statewide Interoperable Communications Board for part-time staffing positions.
- An increase of 2.0 FTE positions for administrative support for the Office of Drug Control Policy, funded through a federal grant.
- An increase of 1.0 FTE position to provide assistance to the Iowa On-line Warrants and Articles auditing team, funded through billings.
- An increase of 1.0 FTE position to provide management and coordination services to the Midwest High Intensity Drug Trafficking Area (HIDTA), funded by the Midwest HIDTA through federal funds.

The Commissioner also informed the Governor that the DPS received a one-year extension to the federal mandate to narrowband radios by January 1, 2013. The first combined joint Academy of DPS and Department of Transportation (DOT) graduated November 26, 2012. The Commissioner also informed the Governor that the DPS is looking at cost cutting measures by reducing the number of DPS Communications Centers from six to two, researching technology upgrades to officer and agent equipment to eliminate transcription costs, and that DPS is also looking at auctioning fully equipped trooper cars when they reach 45,000 miles to other law enforcement entities as a way to save funds and keep mileage down.

STAFF CONTACT: Jennifer Acton

Department of Corrections. Board of Corrections Chair David Erickson highlighted the Department of Corrections (DOC) exists to keep people safe. He stated the DOC budget request addresses public safety by opening new correctional facilities, and focusing on needs of mental health and geriatric offenders, as well as the gender-specific needs of female offenders.

Department Director John Baldwin indicated Iowa's incarceration rate is 36th nationally, while Iowa's population ranks 30th of the 50 states. Mr. Baldwin stressed offender success and re-entry, evidence-based practices, and staffing. He highlighted the DOC's strategic plan and recidivism rates (69.2% of offenders released from prison do not return to corrections supervision). Mr. Baldwin indicated the Community-Based Corrections (CBC) facilities that were constructed in Waterloo, Ottumwa, Cedar Rapids, Davenport, and Sioux City require funds to operate, and the new beds at Fort Madison and Mitchellville need funds to open. Refer to the *Issue Review*, "[Construction Status and Operating Costs of New Corrections Beds](#)" for additional information regarding this topic.

Mr. Baldwin highlighted the DOC's use of the Iowa Results First Model to calculate a cost benefit analysis and return on investment of its programs. Nationally, cognitive programming has shown to be effective in reducing recidivism. He also highlighted the mental health and education needs of offenders. He then discussed the Prison Rape Elimination Act (PREA) that is a federal initiative that impacts state prisons, CBC residential facilities, and county jails.

The DOC's FY 2014 General Fund budget request is \$397.7 million, an increase of \$36.0 million (10.0%) compared to estimated FY 2013. The FY 2015 General Fund budget request is \$407.6 million, an increase of \$10.0 million compared to the amount requested for FY 2014. The request focuses on:

- Staffing new corrections beds.
- Meeting critical staffing needs for current operations.
- Funding cognitive programming and restoring funds for drug courts, plus mental health and substance abuse treatment.
- Expanding educational opportunities for offenders and complying with PREA federal guidelines.

Director Baldwin stated the prison population peaked at 9,009 offenders on April 11, 2011, and is now hovering around 8,200 – a decrease of about 800 offenders. He attributed the decrease to the DOC's excellent relationship with the Board of Parole, the focus on evidence-based practices, and excellent staff.

Governor Branstad stated the DOC was a great success story, with the prison population dropping by 800 offenders with the recidivism rate decreasing at the same time. Department of Management Director David Roederer indicated there was a lack of data at the county jail level regarding offenders and their mental illness. There is an opportunity to divert mentally ill offenders from the criminal justice system at the local level. Discussion followed.

STAFF CONTACT: Beth Lenstra

Office of the State Public Defender. State Public Defender Sam Langholz presented information at the Governor's budget hearing on November 28, 2012. The budget request for FY 2014 and FY 2015 is \$55.7 million; this is no change compared to estimated FY 2013. He reviewed the Office's mission, local office locations, total spending for indigent defense for the last 10 years, and provided a cost comparison of public defenders and private attorneys. According to the Office, using public defenders for the more complicated cases is more cost efficient.

Mr. Langholz highlighted efficiency measures the Office has taken or plans to implement:

- The local office in Fort Madison is closing.
- Rules are being implemented that set maximum rates for freelance court reporters, and permit exclusive reduced contract rates.
- A pilot project is being established in Polk County by negotiating special contracts for attorneys in child support contempt cases.
- The Office is moving to an online indigent defense claims submission system for billings from attorneys and other indigent defense service providers, such as court reporters or investigators.
- Specialized contracts with attorneys and other providers are being explored.
- The Office is evaluating targeted expansion of local offices, and considering the establishment of new Gideon Fellowships. These two-year fellowships would permit the hiring of entry level attorneys who would not be covered by the bargaining contract. If a permanent attorney position became vacant, the attorneys on the fellowships would be able to apply for that position.

Mr. Langholz indicated fiscal challenges – Electronic Document Management System (EDMS) is being implemented by the court system; the State Public Defender offices are not paperless. Appellate work has increased due to recent changes in Supreme Court rules regarding motions to withdraw for frivolous appeals. The Office has a lack of control over volume of criminal and juvenile court filings. *STAFF CONTACT: Beth Lenstra*

Board of Parole. Jason Carlstrom, Chair of the Board of Parole, presented the FY 2014 and FY 2015 General Fund budget request of \$1.2 million at the Governor's budget hearing on November 28, 2012.

The budget request is no change compared to estimated FY 2013. Mr. Carlstrom emphasized several strategic initiatives taken by the Board, such as removing the super majority voting requirement from administrative rules and implementing a new risk assessment tool. The Board is working closely with the Department of Corrections (DOC) to transfer to one computer system, Iowa Corrections Offender Network (ICON), currently used by the DOC. The Board is updating its mission statement as well as release and denial codes used to track Board action.

The Governor commended the Board in implementing efficiencies while protecting public safety. The DOC's prison population peaked at 9,009 offenders on April 9, 2011. Since that time, the population has dropped by about 800 offenders, primarily due to Board action (parole and work release grants). At the same time, the DOC's recidivism rate has decreased slightly.

STAFF CONTACT: Beth Lenstra

Iowa Civil Rights Commission. Director Beth Townsend stated the Civil Rights Commission's budget for FY 2014 and FY 2015 has no requested budget increase, as long as the federal fiscal cliff is avoided. About 44.0% of the Commission's total budget is federal receipts from the Equal Employment Opportunity Commission (EEOC) and the U.S. Department of Housing and Urban Development (HUD). If the fiscal cliff is not avoided, there will be about an 8.2% reduction in the federal budgets at the EEOC and HUD. How those reductions would be distributed is not known.

Director Townsend said the federal budget uncertainty may be an opportunity for the Iowa Civil Rights Commission. Its contract with the EEOC and HUD is performance-based; the Commission is reimbursed based on workload. The EEOC and HUD could choose to refer Iowa-based complaints back to the Iowa Civil Rights Commission and reduce the federal workforce. The Governor asked if Iowa is more efficient than the federal EEOC. Director Townsend indicated she is confident her staff can handle the work; the Commission is already 100 cases ahead of where it needs to be in order to be compliant with the federal contract. These statistics are based on the first two months of the federal fiscal year (FFY).

Director Townsend updated the Governor on recent improvements at the Commission. The staff has received relevant training, understands the work rules, and is encouraged by the increase in public hearings. The Governor indicated that both sides involved in the civil rights area, such as the NAACP and local businesses, have expressed support for the Commission. The Governor thanked the Director for her involvement in his recent anti-bullying conference.

STAFF CONTACT: Beth Lenstra

Office of the Attorney General. Attorney General Tom Miller presented the FY 2014 and FY 15 budget request to the Governor on December 10, 2012. The Attorney General requested a General Fund increase of \$935,000 (7.5%) compared to estimated FY 2013 for:

- \$200,000 for two experienced attorneys for the Area Prosecutions Division in the [Office of the Attorney General](#). The Division assists county attorneys with the most serious and difficult crimes in the State, such as sexual abuse and murder.
- \$150,000 for two entry level attorneys for the Criminal Appeals Division in the Office of the Attorney General. There is a growing backlog of cases in this Division.
- \$585,000 for [Legal Services Poverty Grants](#), which is contracted with a nonprofit corporation that provides counsel to indigent individuals in civil matters.

The FY 2015 General Fund request of \$13.4 million is the same as FY 2014. The Office of the Consumer Advocate is funded from the Department of Commerce Revolving Fund. The FY 2013 appropriation is \$3.1 million and the requests for FY 2014 and FY 2015 are the same as current law.

STAFF CONTACT: Beth Lenstra

Homeland Security and Emergency Management Division. Mark Schouten, the Administrator of the Homeland Security and Emergency Management Division of the Department of Public Defense, presented the FY 2014 and FY 2015 budget to the Governor and Lieutenant Governor on December 10, 2012. The Department's request was status quo compared to FY 2013 totaling \$1.8 million. The Division did indicate it would be proposing a bill again this year to move the Division to its own independent

department. The Governor's Office indicated support as long as no change in funding or FTE positions.
STAFF CONTACT: Jennifer Acton

Department of Public Defense. Major General Timothy Orr, the Iowa National Guard Adjutant General of the Department of Public Defense (DPD), presented the FY 2014 and FY 2015 budget to the Governor and Lieutenant Governor on December 10, 2012. The Department's request was status quo as of October 1, 2012; however, at the time of the Governor's budget hearing the Department presented the following FY 2014 Department requests totaling \$1.0 million:

- An increase of \$750,000 for operations and maintenance of the State buildings at Camp Dodge.
- An increase of \$213,300 for the Deputy Adjutant General position.
- An increase of \$75,000 for firefighter benefits due to a change in the federal appendix for federal reimbursement.

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Transportation and Infrastructure

Iowa Communications Network. Dave Lingren, Executive Director of the Iowa Communications Network (ICN) presented the FY 2014 and FY 2015 budget requests to the Governor and Lieutenant Governor on December 13, 2012.

The ICN is requesting a status quo budget of \$993,000 from the General Fund for allocation to the Regional Telecommunication Councils, established in Iowa Code [section 8D.5](#). The ICN is also requesting an 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 equipment appropriation provides for the Internet Protocol (IP) video technology project as well as the unified communication effort for State agencies around the Capitol Complex. The ICN equipment replacement appropriation is also used as a required match for the State to receive an annual Universal Service Fund E-rate video discount (estimated at \$1.4 million) that is passed on to school districts and libraries.

Salaries and other operation items are paid for by ICN revenues and not by appropriations from the General Assembly.

In addition to the budget, Mr. Lingren discussed projects that are underway by the ICN:

- Unified communications for State agencies that will combine different communication platforms into one interface and reduce costs.
- IP video technology and an upcoming Limited Market Offering in January 2013 that will include high resolution capabilities at low bandwidth for customers. The full offering for all customers is anticipated to be available in July 2013.
- Broadband Technology Opportunities Program (BTOP) Grant deployment and upgrade of the network will be completed by June 2013.
- Request for Proposal to sell or lease the ICN is being reviewed by the Governor's office and is still on schedule to be issued by February 2013.

Also, it was noted that efforts for statewide radio coverage and interoperability are planning to utilize existing ICN fiber that is available and already connects to various towers. It was noted that Pennsylvania has completed its interoperability project and could be a helpful model for Iowa.

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