FISCAL UPDATE March 02, 1998

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House Ways and Means Passes the House Tax Package (HSB 637)



**House Tax Plan** On February 26, the House Ways and Means Committee passed House Study Bill 637. House Study Bill 637 provides for a number of changes in income, sales, and property tax credits. The changes include:

* Amends capital gains provisions by eliminating the 45.0% exclusion on gains to a maximum $17,000 deduction. Under the Bill, all gains fitting the existing definition are fully excludable from income. Second, the Bill provides that if a business is sold to a lineal descendant, the business owner does not have to have materially participated in the business to achieve the capital gains exclusion.
* Raises the pension income exclusion from $3,000 and $6,000 (single/joint filers) to $5,000 and $10,000.
* Raises the personal exemption income tax credit from $20 to $40 for single and married-separate filers and $40 to $80 for married-joint filers and heads of household.



* Raises the tuition tax credit from 10.0% of the first $1,000 to $25.0% of the first $1,000 paid for school expenses. This effectively raises the value of the credit from $100 to $250. This portion of the Bill also expands the definition of allowable fees to include extracurricular fees. However, the Bill restricts fees for public schools which may be claimed to only those fees which are lawfully charged under the Code of Iowa.
* Provides a sales tax exemption for privately-owned nonprofit hospitals, except construction costs, which remain taxable.



* Increases the income eligibility requirements for the elderly and disabled, rent reimbursement, low-income, and mobile home tax credits. This portion of the Bill provides for indexation of the income amounts each year. Formerly, the amounts were fixed in the Code of Iowa and required action by the General Assembly to be changed.
* All provisions of HSB 637 are retroactive to January 1, 1998, except for the increase in the income levels relating to the property tax credits, which are effective January 1, 1999.

**Fiscal Impact** The estimated fiscal impact of House Study Bill 637 is a net revenue loss to the General Fund of $85.6 million in FY 1999 and $83.7 million in FY 2000.

**More Information** Additional detail is available from the Fiscal Bureau upon request.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Education Reform Bill - SF 2323 passes Senate Education and Appropriations Committees

**Education Reform Bill** The Senate Education Committee passed SF 2323, Education Reform Bill, on February 24, and the Senate Appropriations Committee passed SF 2323 on February 26. The Bill:



* Appropriates $500,000 for frontier school and extended year school planning grants. The Bill requires the Department of Education to establish a frontier school and extended year school planning grant program, if sufficient funds are appropriated. The Bill specifies that the maximum grant a school district can receive is $25,000, states the focus of the frontier schools, and provides for reporting requirements.
* Appropriates $180,000 for beginning teacher induction program grants. The Bill specifies it is the intent of the General Assembly that the appropriation provide support to a minimum of 100 teams of mentors and beginning teachers. The Bill also requires the Department of Education to coordinate a beginning teacher induction program, if funding is appropriated, and requires the school districts to submit an assessment of the program’s results by July 1.



* Appropriates $1.0 million for the establishment and implementation of a practitioner recognition award pilot program. The Bill requires the Department of Education to submit a proposal to specified members of the General Assembly for a program for leadership development of practitioners and school board members by January 15, 1999. The Department of Education is required to design and implement a practitioner recognition award pilot program if funds are appropriated. The Bill distributes the funds to the participating districts on a per pupil basis. This includes the Iowa Braille and Sight Saving School, the State School for the Deaf, and the Price Laboratory School. It prohibits the award from exceeding $100,000.
* Appropriates $25,000 to the Board of Educational Examiners to develop and implement a multi-level voluntary para-educator licensing system. The Bill defines para-educator as a person who is licensed to assist a teacher in the performance of instructional tasks to support and assist classroom instruction and related school activities. The Board of Educational Examiners is required to adopt rules relating to a multi-level voluntary licensing system ranging from para-educator general to para-educator specialist.
* Creates a new General Fund standing appropriation of $50,000 to the Iowa Mathematics and Science Coalition for the mathematics pilot program in FY 1999 and FY 2000. The Bill requires the Iowa Mathematics and Science coalition to administer a two-year mathematics pilot program and requires the pilot programs to be located in at least one large school district, one medium-size school district, and one small school district. Funds are allowed to be used for administrative costs and requires the funds to be used to provide partial financial assistance to school districts. Districts are allowed to use Phase III funds to pay a portion of the program costs.



* States a teacher is eligible for a $1,000 partial registration award after registration for National Board Certification and a $1,000 final registration award and certification achievement. Also specifies a teacher is eligible for a $2,000 annual award for five years or the years the certificate is valid, whichever time period is shorter after achieving certification.
* Establishes a National Board for Professional Teaching Standards Certification Fund in the Office of Treasurer of State. Specifies provisions for payment from the Fund and creates a new General Fund standing appropriation of $250,000 to be deposited in the National Board for Professional Teaching Standard Certification Fund.
* Creates a new General Fund standing appropriation of $9.0 million for the early education improvement program. Funding is distributed to the school districts on a per pupil basis, but a school district will not receive less than $10,000. The Bill provides reporting requirements to the General Assembly and requires that school districts must also certify that the funds are used to supplement and not supplant other funding.
* Allows a school district to call an election to approve additional property taxes or income surtax to make up the shortfall in Instructional Support state aid.

FISCAL IMPACT: In FY 1998, 257 school districts have the Instructional Support Program and there is a $12.2 million shortfall in state aid, if fully funded.

* Creates a new General Fund standing appropriation of $220,000 in FY 1999 and $575,000 in FY 2001 and FY 2002 for the teacher internship pilot program. Requires the University of Northern Iowa to design and implement a teacher internship pilot program in consultation with the State Board of Education and the Board of Educational Examiners. The Program is repealed July 1, 2002.
* Creates a new General Fund standing appropriation of $300,000 for the practitioner performance improvement program. The funding includes $200,000 for administrator training and $100,000 to establish and implement a regional system to provide technical assistance to teachers and administrators. The Bill requires the Department of Education to establish and implement a voluntary practitioner performance improvement program in consultation with the Iowa State Education Association, the Iowa Association of School Boards, the School Administrators of Iowa, and other entities.

Retirement



* Prohibits a teacher serving in a probationary period from using the grievance procedures.
* Allows school boards to extend retirement incentives to employees between age 55 and 59. Also allows school boards to included the total estimated accumulated cost of retirement incentives in the Management Levy, if the cost does not exceed the estimated savings.

FISCAL IMPACT: This will save an estimated $5.1 million to school districts’ General Fund budgets and increase the Management Levy (property taxes) up to $5.1 million.

* Increases the minimum teacher salary from $18,000 to $21,000.
* Increases the educational excellence standing appropriation by $495,000 for Phase I. This is the estimated cost of increasing the minimum teacher salary.
* Increases the allocation to the Ambassador to Education Program from $60,000 to $75,000. The funding is from the educational excellence standing appropriation, Phase III.

STAFF CONTACT: Jon Studer (Ext. 17799)

Status of Appropriations Bills



| **Appropriations Subcommittee Bills** | | | | |
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| **Appropriations Subcommittee** |  | **LSB/File #** |  | **Status** |
| Admin./Regulation |  | LSB 3179JA |  | Passed House Approps. on Feb. 25. |
| Ag./Natural Resources |  | SF 2295 |  | Passed Senate Approps. on Feb. 19. |
| Economic Development |  | SF 2296 |  | Passed Senate Approps. on  Feb. 19. |
| Education |  | LSB4176A |  | Passed Joint Subcommittee Feb. 25. |
| Health/Human Rights |  | SF 2280 |  | Passed Senate Approps. on Feb. 18. |
| Human Services |  |  |  | Senate Subcommittee passed a bill on Feb. 18. House Subcommittee passed a bill on Feb. 25. |
| Justice System |  |  |  |  |
| Oversight & Comm. |  |  |  |  |
| Trans., Infrastruc- ture, & Caps. |  | LSB 3178JA  SF 2381 |  | Transportation Appropriations Bill passed House Approps. on Feb. 25.  Infrastructure Bill passed Senate Approps. On Feb. 25. |
| **Other Appropriations Bills** | | | | |
| **Subject** |  | **File #** |  | **Status** |
| On-Time Funding |  | HF 2130 |  | Passed House Educ. In House Approps. |
| Oil Overcharge |  | HF 2210 |  | Passed Senate Approps. on Feb. 24. |
| Fed. Block Grant |  | HF 2218 |  | Passed House on Feb. 26. In Senate Approps. |
| Obsolete & Unneces-sary Provisions of the Code |  | HF 2271 |  | Passed House Approps. on Feb. 23. |
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| FY 1998 Supplemental Appropriations |  | HF 2395 |  | Passed House Approps. on Feb. 18. Awaiting House floor action. |
| Early Childhood Imperatives Program |  | HF 2458 |  | Passed House Education Standing Committee on Feb. 24. In House Approps. |
| K-3 Funding |  | SF 2193 |  | On Senate Calendar |
| Mentoring |  | SF 2215 |  | Passed Senate Educ. Standing Committee. On Senate Calendar |
| School Ready Grant Program - House Bill |  | HSB 592 |  | Passed House Education Standing Committee. In House Approps. |
| School Ready Grant Program - Senate Bill |  | SF 2347 |  | Passed Senate Education Standing Committee. In Senate Approps. |
| Education Reform |  | SF 2366 |  | Passed Senate Approps. on Feb. 26. |

STAFF CONTACT: Holly Lyons (Ext. 17845)

Administration and Regulation Appropriations Bill - HSB 672 Passes House Appropriations Committee



**Admin./Regulation Bill** On February 25, the House Appropriations Committee approved HSB 672, the Administration and Regulation Appropriations Bill. The Bill appropriates $86.0 million and 1,896.8 FTE positions, an increase of $1.6 million (1.9%) and a decrease of 1.3 (0.1%) FTE positions compared to the estimated FY 1998 appropriation. Significant changes include:

**Ethics/Campaign Disc.** Ethics and Campaign Disclosure Board - An increase of $38,000 for reporting software and an electronic interface with the public.

**Dept. of Commerce** Department of Commerce

* An increase of $34,000 in the Administrative Services Division for rent expense due to relocation outside the Capitol Complex.



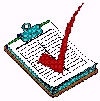
* A decrease of 4.0 FTE positions in the Banking Division to eliminate unfunded and vacant positions.
* An increase of $300,000 in the Insurance Division for rent expense due to relocation outside the Capitol Complex.
* An increase of $180,000 and 2.0 FTE positions in the Insurance Division for investigators to support the Insurance Fraud Bureau.
* An increase of $50,000 and 1.5 FTE positions in the Insurance Division to establish the Investment Advisor Program.
* An increase of $208,000 in the Utilities Division for rent expense due to relocation outside the Capitol Complex.
* An increase of $25,000 in the Utilities Division for consulting services to aid in the transition to a competitive telecommunications industry.

**Dept. of General Services** Department of General Services



* A decrease of $135,000 and 4.0 FTE positions in the Administration Division to transfer the Records Management Unit to the Department of Cultural Affairs.
* An increase of $54,000 in the Property Management Division to fund an existing, but unfunded, Executive Officer 1 position to coordinate leases.
* An increase of $20,000 in the Property Management Division for routine maintenance of generators and electric transformers.
* An increase of $189,000 in the Rental Space Division to replace lost receipts due to relocation of the Department of Commerce outside the Capitol Complex.
* An increase of $176,000 in the Utilities Division for projected increases in the costs of utilities.
* An increase of 1.0 FTE position in the Terrace Hill Operations Division to change a contract employee to an FTE position.

**Inspections & Appeals** Department of Inspections and Appeals



* An increase of $46,000 and 1.0 FTE position in the Audits Division to transfer a Field Auditor 2 position from the Inspections Division to consolidate auditing functions in a single division.
* An increase of $24,000 and 1.0 FTE position in the Investigations Division to transfer an Investigator 1 position from the Department of Human Services to conduct additional welfare fraud investigations.
* An increase of 1.0 FTE position in the Investigations Division to change a contract employee to an FTE position.
* An increase of 1.0 FTE position in the Health Facilities Division to comply with federal requirements relating to quality improvement and consistency requirements in the Survey and Certification Program of health facilities.

**Dept. of Management** Department of Management - A decrease of $31,000 to the Council on Human Investment to reduce professional and scientific services.

**Dept. of Personnel** Department of Personnel

* An increase of $90,000 and 2.0 FTE positions in the Operations Unit to transfer Training Officer 3 positions from the Department of Human Services to provide instructional services to executive agencies.



* An increase of $80,000 from the Iowa Public Employees Retirement System (IPERS) Fund to contract with various government agencies and private pension research firms to begin an address verification project.
* An increase of $120,000 from the IPERS Fund to purchase a computer server, software, and training to support movement to a server-based office network.
* A decrease of $110,000 from the IPERS Fund due to a one-time expense for a remote access member response telephone system and a local area computer network with a server.

**Revenue & Finance** Department of Revenue and Finance

* An increase of $90,000 in the Internal Resources Management Division for the maintenance contract of the Iowa Financial Accounting System (IFAS).

**Secretary of State** Secretary of State

* A decrease of $25,000 in the Business Services Division due to a decrease in outside services, data processing, and office equipment expenses.
* A decrease of $40,000 for costs associated with biennial printing of the Iowa Official Register in FY 1998.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

STAFF CONTACT: Carolyn India Black (Ext. 16765) Paige Piper/Bach (Ext. 14613)

ECONOMIC DEVELOPMENT APPROPRIATIONS BILL

**Economic Development Bill** The Senate Appropriations Committee adopted a technical amendment and passed SF 2296, the Economic Development Appropriations Bill, on February 19. The Bill appropriates $40.9 million and 1,289.5 FTE positions to the Department of Economic Development, Department of Workforce Development, Public Employment Relations Board, and seven Board of Regents programs. This is an increase of $1.3 million (3.4%) and 18.3 (1.4%) FTE positions compared to estimated FY 1998. The Governor recommended $41.1 million and 1,273.5 FTE positions.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

Note: This information was reported incorrectly in the February 23 **Fiscal Update**.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Education Appropriations Bill Approved



**Education Approp. Bill** The Education Appropriations Subcommittee approved LSB 3176 on February 25. The Bill makes appropriations to the College Student Aid Commission, the Department of Cultural Affairs, the Department of Education, and the Board of Regents. The Bill appropriates $863.2 million from the General Fund and 17,252.8 FTE positions for FY 1999. This is an increase of $13.6 million (1.60%) and 60.0 (0.35%) FTE positions compared to estimated FY 1998.

**Funding Highlights** Highlights of funding compared to FY 1998 and language in the Bill include:

**College Student Aid *College Student Aid Commission***

* Decreases the appropriation for the Iowa Grant Program by $236,000.
* Increases the appropriation for the National Guard Tuition Aid Program by $209,000.
* Appropriates funds from a new account within the State Treasurer’s Office created by interest accrued from a federally required account from portions of the Stafford Loan Reserve Fund, and requires the funds to be expended to assist students to prevent default.
* Increases the appropriation for the Tuition Grant Program by $3.0 million.
* Increases the appropriation for the Vocational-Technical Tuition Grant Program by $636,000. Due to one-time FY 1998 funding, the actual increase for FY 1999 is $200,000.

**Dept. of Cultural Affairs *Department of Cultural Affairs***



* Increases the appropriation for the Iowa Arts Council by $150,000 for operational support grants and the Access Iowa Arts Program.
* Increases the appropriation for the Historical Division by $209,000 for the transfer of the Records Management Division from the Department of General Services, archival support to begin processing records from Governor Branstad’s administration, exhibit maintenance, and to convert a part-time archeologist to full-time.
* Increases the appropriation for Historical Sites by $50,000 for the Western Historic Trails Center to replace one-time funding provided in FY 1998.
* Appropriates $25,000 from the General Fund and $50,000 from the Educational Excellence standing appropriation to the Local Arts Comprehensive Educational Strategies within the Department of Cultural Affairs. This appropriation has been located within the Department of Education in FY 1998 and prior fiscal years.
* Repeals Chapter 303C of the Code of Iowa, regarding the Arts and Cultural Enhancement and Endowment. Cultural caucuses are changed to every four years instead of every two years.

**Dept. of Education *Department of Education***



* Increases the appropriation for the State Library by $171,000 for the Open Access Program and for per capita distribution to local libraries.
* Increases the appropriation for nonpublic textbooks by $84,000 to pay increased claims.
* Makes a new appropriation of $35,000 for a listening curriculum at Sioux City Community School.
* Increases the appropriation for community colleges by $4.9 million.
* Requires an audit of textbook services for nonpublic school textbook reimbursements.
* Provides a one-time appropriation of $50,000 for community colleges.
* Permits the Board of Educational Examiners to retain up to 85.0% of any increase in license fees since July 1, 1997, for expenditures relating to Board duties.
* Expends Educational Excellence funds for FY 1999 as follows:
* $190,000 for teacher induction programs.
* $300,000 for national certification stipends.
* $150,000 for IPTV overnight block feeds.

**Board of Regents *Board of Regents***



* Increases the appropriation for the University of Iowa (SUI) general university operating budget by $2.1 million for: salary annualization, library inflation, building repair, biosciences, arts and humanities, undergraduate education, and technology-based teaching.
* Decreases the appropriation to the SUI Driving Simulator by $358,000.
* Makes a new appropriation for the SUI Birth Defects Registry for $50,000.
* Makes a new appropriation to the SUI for the Creative Employment Opportunities University-affiliated Program for $200,000.



* Increases the appropriation for the Iowa State University (ISU) general university operating budget by $184,000 for: salary annualization and opening the Kildee Hall addition.
* Increases the appropriation for the ISU Extension Service Program by $922,000 for: salary annualization; the Food, Fiber, and Environmental Science Program; and the Extension 21 Program.
* Makes a separate appropriation of $250,000 to ISU for the World Food Prize. This appropriation was included within the general university operating budget of ISU for FY 1998.



* Makes a new appropriation of $200,000 to ISU for the Bioinformatics Program.
* Increases the appropriation for the University of Northern Iowa general operating budget by $769,000 for: salary annualization, library inflation, opening the Wellness Building, undergraduate education, international education, and special education.
* Requires the Board of Regents to conduct a study of graduate student programs.
* Requires the funds remaining from the FY 1998 appropriation for Tuition Replacement to revert to the General Fund of the State rather than carry forward into FY 1999.
* Requires the Board of Regents to submit square footage information when submitting budget requests for the opening of new buildings.
* Prohibits the Board of Regents from refunding academic revenue bonds, which delays principal payments.

**NOBA**

**Bill Summary** Additional detail is available from the LFB. Copies of the Notes on Bills and Amendments (NOBA) will be available from the LFB on Tuesday, March 3.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Mary Shipman (Ext. 14617)

House Human Services Appropriations Subcommittee Passes FY 1999 Human Services Appropriations Bill

**Human Services Approp. Bill** The House Human Services Appropriations Subcommittee passed the Department of Human Services (DHS) Appropriations Bill on February 25. The Bill appropriates a total of $726.5 million in State General Fund moneys, a decrease of $3.0 million (0.4%) compared to the estimated FY 1998 appropriation. The Bill includes funding for 5,425.2 FTE positions, an increase of 64.71 FTE positions (1.2%) compared to the estimated FY 1998 appropriation. The Bill represents a decrease of $1.0 million (0.1%) and an increase of 83.11 FTE positions (1.6%) compared to the Governor’s recommendation. The Bill provides funding for the following purposes:



**Medical Services Medical Services** - $420.3 million and 17.0 FTE positions, an increase of $11.3 million (2.8%) and no change in FTE positions compared to estimated FY 1998. Significant changes include:

* **Medical Assistance** - An increase of $4.2 million (1.1%), with major changes comprised of:
* An increase of $15.5 million for various provider rate increases, with significant changes including $7.3 million for increased drug product costs and $6.5 million for a nursing facility reimbursement rate increase.
* An increase of $1.2 million due to a change in the federal match rate for Medicaid expenditures.
* A decrease of $11.5 million due to savings attributed to increased enrollment in managed health care and a 1.0% decrease in nursing home admissions.
* A decrease of $832,000 due to a change in the historical utilization factor from a four-year to a three-year historical basis.
* A decrease of $3.3 million due to a decreased Medical Assistance eligibility projection.
* An increase of $1.6 million for the nonfederal share of Intermediate Care Facilities for the Mentally Retarded (ICF/MR) and Home and Community-Based services for children.
* An increase of $2.2 million for growth in waiver services, including increased caseloads for adults with mental retardation; State Cases; elderly; ill and handicapped; brain injury; and personal assistance waiver services for adults with mental retardation and corresponding case management services.
* A decrease of $823,000 due to anticipation of increased recoveries from drug rebates and area education agencies.



* **Medical Contracts** - $7.4 million, a decrease of $278,000 (3.6%) compared to estimated FY 1998. The change includes a decrease of $916,000 for fiscal agent administrative services.
* **State Children’s Health Insurance Program (SCHIP)** - A new appropriation of $7.0 million to match $20.6 million in federal funds to cover low-income uninsured children living in families below 185.0% of the federal poverty level. The DHS estimates that 55,000 low-income uninsured children may receive health insurance coverage through the appropriation. Medicaid eligibility was increased to 100.0% of the federal poverty level for children ages 15 through 18. The State will receive the enhanced SCHIP federal match rate for those individuals ages 15-18 with income levels previously ineligible for Medicaid prior to SCHIP.

**Adults, Children, Families Serving Adults, Children and Families -** $126.9 million and 350.7 FTE positions, a decrease of $19.5 million (13.3%) and an increase of 29.0 FTE positions (9.0%) compared to estimated FY 1998. Although General Fund appropriations are a decrease of $19.5 million, an increase of $24.0 million in Temporary Assistance for Needy Families (TANF) federal funds are included in this budget. The net programmatic funding available is an increase of $4.5 million (3.1%). Significant changes include:

* **Child Care** - A decrease of $5.0 million (36.4%) in General Fund appropriations to replace State funds with Temporary Assistance for Needy Families (TANF) federal funds to provide State Child Care Assistance.
* **Toledo Juvenile Home** - An increase of $671,000 and 16.5 FTE positions, including an increase of $512,000 and 12.5 FTE positions to open a 10-bed cottage for delinquent females.
* **Eldora Training School** - An increase of $438,000 and 9.3 FTE positions, including an increase of $378,000 and 9.3 FTE positions to provide six months of staffing and support for a 24-bed cottage for delinquent males.
* **Child & Family Services** - A decrease of $14.4 million, including the following major changes:
* A General Fund decrease of $19.0 million of State funds to transfer to the Family Investment Program (FIP), and replace with Temporary Assistance for Needy Families (TANF) federal funds to meet maintenance of effort requirements.



* An increase of $1.3 million for prevention and early intervention services developed by decategorization projects.
* An increase of $1.3 million to provide a 2.0% cost-of-living adjustment to Rehabilitative Treatment and Support (RTS) service providers to be allocated to providers based on negotiations with the DHS.
* A decrease of $1.4 million due to a lower than anticipated Family Preservation caseload.
* An increase of $619,000 to increase the Wraparound service level to match FY 1998 Child Welfare Regional Plans.
* An increase of $679,000 to expand Adolescent Monitoring, Supervised Community Treatment, and Life Skills by 7.5%.
* An increase of $626,000 to expand Group Care by 25 youth per day for a total average daily population of 1,140 children.
* An increase of $2.7 million to increase Subsidized Adoptions by 334 adoptions compared to the FY 1998 caseload.
* An increase of $174,000 to increase School-Based Supervision by 10.0%.
* A decrease of $2.1 million due to decreased Family Foster Care caseloads and support costs.



Economic Assistance **Economic Assistance -** $40.8 million and 233.2 FTE positions, an increase of$23.0 million (129.7%) and 12.0 FTE positions (5.4%) compared to estimated FY 1998. Significant changes include:

* **Family Investment Program/Promise Jobs** - An increase of $22.4 million (246.8%), with major changes comprised of:
* An increase of $20.7 million of State funds to offset Temporary Assistance to Needy Families (TANF) federal funds allocations previously allocated to FIP and Promise Jobs in FY 1998, but allocated to other Divisions within DHS in the FY 1999 budget request. An exchange of State and TANF appropriations between other divisions within the Department and the Family Investment Program (FIP) results in a General Fund savings of $1.5 million compared to the estimated FY 1998 appropriation.
* A decrease of $3.6 million in State funds due to an estimated continued caseload decrease, from 29,092 families in the FY 1998 budget to 25,697 families in the FY 1999 budget request.
* An increase of $193,000 to expand Electronic Benefit Transfer to include all counties and 55.0% of food stamps participants by May 1999.
* A decrease of $2.0 million to eliminate all child support rebates, which return the first $50 of collected child support to Family Investment Program (FIP) participants.
* An increase of $2.4 million to increase the FaDSS (Family Development and Self Sufficiency) Program enrollment by 546 families, and expand statewide by the end of FY 2000.
* An increase of $908,000 to offset reduced child support recoveries returned to the Family Investment Program.
* **Emergency Assistance** - A decrease of $2.0 million of State funds due to transfer to the Family Investment Program (FIP), and replacement with Temporary Assistance for Needy Families (TANF) federal funds to meet maintenance of effort requirements.
* **Child Support Recovery Unit** - An increase of $2.6 million and 12.0 FTE positions, with major changes including:
* An increase of $608,000 to increase utilization of contracted Child Support staff to implement Welfare Reform requirements.
* An increase of $1.3 million to replace a one-time carry-forward of $1.0 million and one-time Lottery Funds transfer of $300,000 in FY 1998.



**MI/MR/DD/BI Services for Persons with Mental Illness/Mental Retardation/Develop-mental Disabilities/Brain Injuries (MI/MR/DD/BI)** - $73.5 million and 2,353.3 FTE positions, a decrease of $24.6 million (25.1%) and 16.2 FTE positions (0.7%) compared to the estimated FY 1998 appropriation. The major changes include:

* **Cherokee Mental Health Institute** - A decrease of $631,000, including a decrease of $635,000 and 13.3 FTE positions due to a reduction in authorized FTE positions.
* **Clarinda Mental Health Institute** - An increase of $362,000, including an increase of $258,000 to add direct care staff to meet licensure and certification requirements.
* **Mount Pleasant Mental Health Institute** - An increase of $352,000, including an increase of $325,000 and 21.0 FTE positions to open a 9-bed dual diagnosis unit to provide psychiatric treatment and substance abuse treatment simultaneously.
* **Independence Mental Health Institute** - A decrease of $380,000, including a decrease of $381,000 and an increase of 6.5 unfunded FTE positions for adding 30 Psychiatric Medical Institution for Children (PMIC) beds to Independence. The savings is due to utilization of available staff and support at the Institute and increased federal match funding for PMIC placements.
* **Glenwood State Hospital-School** - A decrease of $652,000, including a decrease of $857,000 due to increased receipts received by the School. The appropriation includes an increase of 40.0 unfunded FTE positions to reduce overtime and expand Time Limited Assessments and Respite services.
* **Woodward State Hospital-School** - A decrease of $25.6 million, including a decrease of $25.9 million to implement net-State budgeting.
* **State Cases Program** - An increase of $1.5 million due to projected increases in county referrals to the Program of the mentally ill, mentally retarded, and developmentally disabled populations.

**Managing/Delivering Serv**. **Managing and Delivering Services** - $64.9 million and 2,471.0 FTE positions, an increase of $624,000 (1.0%) and 40.0 FTE positions (1.6%) compared to estimated FY 1998. Significant changes include:

* **Field Operations** - An increase of $50,000 and 37.0 FTE positions, with major changes including:
* A decrease of $1.2 million to offset a like increase of Temporary Assistance for Needy Families (TANF) federal funds.
* An increase of $367,000 for salary annualization.
* An increase of $427,000 and 13.0 FTE positions due to increased non-abuse service caseloads. This appropriation decreases the non-abuse service caseload per worker to approximately 98 cases per month.
* An increase of $545,000 and 20.0 FTE positions to expand the Child Abuse Assessment pilot project statewide.
* **General Administration** - An increase of $555,000 and 3.0 FTE positions, with major changes including an increase of $506,000 due to increased costs for personal computer and network server software maintenance agreements for Field Operations, Child Support, Institutions, and Central Office.

**Property Tax Relief Property Tax Relief** - The Subcommittee did not change the FY 1999 appropriation established in HF 255 (1997 Mental Health Allowed Growth Factor Adjustment Act), which is an increase of $6.3 million (2.9%) compared to the estimated FY 1998 county mental health expenditure base plus growth. The change is due to increased mental health costs associated with new clients and inflation as appropriated in HF 255. Appropriated growth for FY 2000 is $18.1 million, an increase of $5.6 million (2.5%) compared to the estimated FY 1999 county mental health expenditure base plus growth.

**More Information** Additional information is available upon request from the Legislative Fiscal Bureau.

STAFF CONTACT: Deb Anderson (Ext. 16764) Margaret Buckton (Ext. 17942)

House Appropriations Committee Passes the Transportation Appropriations Bill



**DOT Approp. Bill** The House Appropriations Committee passed the Department of Transportation Appropriations Bill. The Bill appropriates a total of $249.3 million, which includes $4.0 million from the General Fund, $32.5 million from the Road Use Tax Fund, $212.8 million from the Primary Road Fund, and $25,000 from the Motorcycle Rider Education Fund. This is an increase of $4.0 million (1.6%) compared to estimated FY 1998.

**Committee Amendment** The Appropriations Committee passed one amendment which clarified the allocation of the $25,000 appropriation from the Motorcycle Rider Education Fund.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

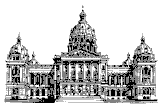
STAFF CONTACT: David Reynolds (Ext. 16934)

Senate Appropriations Committee Passes the Infrastructure Appropriations Bill

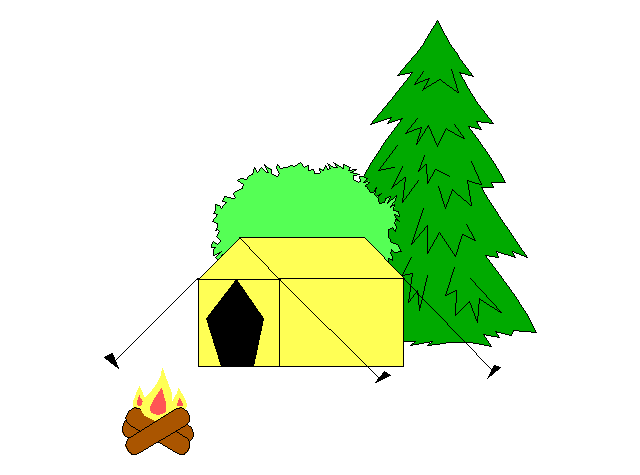
**Infrastructure Approps. Bill** The Senate Appropriations Committee passed SF 2381, the Infrastructure Appropriations Bill, on February 25. The Bill appropriates $56.5 million from the Rebuild Iowa Infrastructure Fund in FY 1999 for infrastructure-related improvements. The appropriations include:



* $1.0 million to the Department of Agriculture and Land Stewardship for the Loess Hills Development and Conservation Fund.
* $1.4 million to the Department of Corrections for improvements to the Mitchellville Correctional Facility.
* $5.0 million to the Department of Corrections for construction of a new cellblock at the Fort Dodge Correctional Facility.
* $6.5 million to the Department of Corrections for construction of a 200-bed facility at the Iowa State Penitentiary at Fort Madison.
* $2.4 million to the Department of Cultural Affairs for a Historical Site Preservation Grant Program.
* $250,000 to the Department of Economic Development for construction of a welcome center at Hamburg.
* $100,000 to the Department of Economic Development to the Rural Enterprise Fund for a dry fire hydrant demonstration project.
* $2.0 million to the Department of Education for vertical infrastructure improvements at community colleges.
* $7.0 million to the Department of General Services for major maintenance needs of State facilities and institutions located throughout the State.
* $700,000 to the Department of General Services for the renovation and restoration of Terrace Hill.
* $1.3 million to the Department of General Services for costs associated with the relocation of State employees on the Capitol Complex.
* $4.5 million to the Department of General Services for continued renovation of the Lucas Building.
* $390,000 to the Department of General Services for development of a master plan for the Capitol Complex, planning for improvements to the Capitol Terrace, and design costs associated with underground parking on the Capitol Complex.



* $820,000 to the Department of General Services for planning and design of a 900-stall parking structure at the northwest corner of the Capitol complex.
* $1.0 million to the Department of General Services for interior restoration costs of the Capitol Building.
* $4.4 million to the Iowa State Fair Foundation for renovation and restoration of the cattle barn and horse barn at the Iowa State Fairgrounds.
* $1.0 million to the Iowa State Fair Foundation for infrastructure improvements to county fairs.
* $250,000 for restoration of the space in the Capitol Building under the purview of the Judicial Department.
* $2.3 million to the Department of Natural Resources from Marine Fuel Tax receipts for boating access improvements to Iowa lakes.
* $430,000 to the Department of Natural Resources for construction of the Elinor Bedell State Park and Wildlife Conservation Area near Lake Okoboji.



* $2.5 million to the Department of Natural Resources for a recreational grant matching program for the restoration or construction of recreational complexes or facilities.
* $500,000 to the Department of Natural Resources for the Blufflands Protection Revolving Fund.
* $2.0 million to the Department of Natural Resources to fund lake dredging projects in accordance with the Department of Natural Resources’ Classification of Iowa Lakes Restoration Report.
* $680,000 to the Department of Public Defense for maintenance and repair of National Guard armories and facilities.
* $1.7 million to the Department of Public Safety for construction of a new Iowa State Patrol Post in Des Moines.



* $335,000 to the Board of Regents for infrastructure projects at the Iowa School for the Deaf and the Iowa Braille and Sight Saving School.
* $1.0 million to the Department of Transportation for infrastructure improvements at Iowa’s ten commercial service airports.

**Other Bill Provisions** The Bill also included the following provisions:

* Requires the Department of General Services to adopt, as part of the infrastructure survey funded in HF 733 (1997 Infrastructure Appropriations Act), a uniform system for evaluating vertical infrastructure needs consistent across all State agencies.
* Creates the Blufflands Protection Program and the Blufflands Protection Revolving Fund for the purchase of blufflands adjacent to State parks located along the Mississippi and Missouri Rivers and their tributaries.
* Deposits the first $411,000 of Marine Fuel Tax receipts in the General Fund and all remaining revenues into the Rebuild Iowa Infrastructure Fund.
* Reduces the standing appropriation for the Restore the Outdoors Program from $4.0 million to $3.0 million, which eliminates a $1.0 million allocation for local park improvements. The Governor vetoed language allowing the use of $1.0 million for local park improvements.
* Eliminates a requirement that the City of Burlington provide matching funds for a $25,000 appropriation. The funds are for a feasibility study for the construction of a replica of the first territorial capitol of Iowa.
* Allows the Department of Revenue and Finance to expend funds from a FY 1998 appropriation for improvements to the Iowa Financial Accounting System (IFAS) until June 30, 2001.
* Extends the date by which a construction contract must be successfully let from March 1, 1998, to March 1, 1999, in order for a drainage district to be eligible to receive funding to provide alternative drainage outlets which result in the closing of agricultural wells.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

STAFF CONTACT: David Reynolds (Ext. 16934)

Oversight and Communications Appropriations Subcommittee



**Year 2000**

**Oversight/Communications** The Oversight and Communications Appropriations Subcommittee met on February 23 and heard presentations from the State offices not under the jurisdiction of the Executive Branch. The presentations and discussion focused on the efforts of these entities related to solving the Year 2000 computer problem and the expenditures to date and projected for completion of all necessary computer changes.

**Presentation** The presentations included the:

* Judicial Branch
* Legislative Branch
* Department of Justice
* Treasurer of State
* Secretary of State
* Auditor of State
* Department of Agriculture and Land Stewardship
* Board of Regents

**Year 2000** The Subcommittee asked that these State entities and the Executive Branch provide regular updates related to the progress being made to resolve these problems and to insure no interference with State governmental operations when the year 2000 arrives.

STAFF CONTACT: Douglas Wulf (Ext. 13250) Glen Dickinson (Ext. 14616)

Oil Overcharge Bill - HF 2210 Passes Senate Appropriations



**Oil Overcharge - HF 2210** The Senate Appropriations Committee passed HF 2210 (Oil Overcharge Appropriations Bill) on February 24. The Bill appropriates petroleum overcharge funds for FY 1999 to the Department of Human Rights, the Department of Natural Resources, and the Department of Transportation. The Bill:

* Appropriates $700,000 to the Department of Human Rights for qualifying energy conservation programs for low-income housing. This maintains the current level of funding.
* Appropriates $115,000 to the Department of Natural Resources for energy conservation and extension purposes. This maintains the current level of funding.
* Appropriates $200,000 to the Department of Natural Resources for administrative functions. This is a decrease of $50,000 compared to the FY 1998 appropriation.
* Appropriates $725,000 to the Department of Transportation for deposit into the Intermodal Revolving Loan Fund established with funds previously from the Exxon Account. The Intermodal Revolving Loan Fund will remain in existence until June 30, 2019.
* Requires the dissolution of the Energy Fund Disbursement Council on June 30, 2003. Any remaining funds will be disbursed by the Department of Natural Resources. The Department of Transportation will report to the Department of Natural Resources on the status of the Intermodal Revolving Loan Fund.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

STAFF CONTACT: Deb Kozel (Ext. 16767)

BLOCK GRANT BILL - HF 2218 PASSES HOUSE

**Fed. Block Grant Bill**  On February 26, the House passed HF 2218 (Federal Block Grant Bill). The Bill appropriates $136.7 million of federal block grant funds, a decrease of $984,000 (0.7%) compared to FY 1998. The Bill appropriates:



* $11.9 million to the Department of Public Health for the Substance Abuse Block Grant.
* $2.7 million to the Department of Human Services for the Community Mental Health Services Block Grant.
* $6.9 million to the Department of Public Health for the Maternal and Child Health Services Block Grant.
* $2.1 million to the Department of Public Health for the Preventive Health and Health Services Block Grant.



* $5.8 million to the Office of the Governor for the Drug Enforcement and Abuse Prevention Coordinator for the Drug Control and System Improvement Block Grant.
* $1.6 million to the Office of the Governor for the Drug Enforcement and Abuse Prevention Coordinator for the Stop Violence Against Women Block Grant.
* $382,000 to the Office of the Governor for the Drug Enforcement and Abuse Prevention Coordinator for the Local Law Enforcement Grant Program.
* $237,000 to the Office of the Governor for the Drug Enforcement and Abuse Prevention Coordinator for the Residential Substance Abuse Treatment for State Prisoners Formula Grant.
* $5.3 million to the Department of Human Rights for the Community Services Block Grant.
* $30.4 million to the Department of Economic Development for the Community Development Block Grant.
* $18.1 million to the Department of Human Rights for the Low-Income Home Energy Assistance Block Grant.
* $24.7 million to the Department of Human Services for the Social Services Block Grant.
* $26.5 million to the Department of Human Services for the Child Care and Development Block Grant.

**Other Provisions** House File 2218 also provides the mechanism for State agencies to receive $2.204 billion in federal and nonstate funds based upon the purposes set forth in the grants, receipts, or conditions accompanying the funds, unless otherwise provided by law.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments (NOBA) are available from the LFB.

STAFF CONTACT: Ron Robinson (Ext. 16256) Valerie Thacker (Ext. 15270)

House Education Committee Passes HF 2458 - Early Childhood Imperatives Program

**Early Childhood Imperatives** The House Education Committee approved HF 2458, establishing an Early Childhood Imperatives Program, on February 24.



**Standing Appropriation** The Bill creates a standing appropriation of $9.0 million, beginning in FY 1999, to the Department of Education. The funds are to be distributed to school districts based on each district’s percent of the statewide enrollment in kindergarten through grade three. However, each district will receive a minimum of $7,500 annually. Included in the definition of school district are the Iowa Braille and Sightsaving School, the Iowa School for the Deaf, the Price Laboratory School at the University of Northern Iowa, and institutions under the control of the Department of Human Services. Funds are to be distributed in one payment to school districts by October 15 each year.

**Conditions** As a condition of receipt of funds, each school district must adopt a plan to expend the funds in support of early childhood education efforts that include an evaluation component. At a minimum the plan must focus on attaining or surpassing student achievement goals as outlined in Sections 280.12 and 280.18, Code of Iowa. Uses of the funds may include provision of the following for students in kindergarten through grade three:

* Reducing adult-to-student ratios by hiring additional teachers and adult teaching assistants.
* Reading instruction in phonics.
* Volunteer coordinator programs.
* Implementation of instructional programs designed to improve student achievement in the areas of reading, language arts, and mathematics.
* Parental involvement programs.
* Extended school day or year programs.

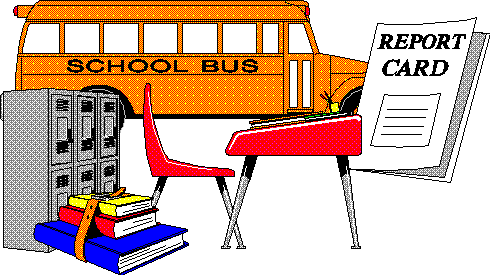
**Next Action** The Bill now goes to the Appropriations Committee.

STAFF CONTACT: Mary Shipman (Ext. 14617)

House and Senate education committees Approve School Ready children Grant Program Bills

**Grant Program Approved** The House and Senate Education Committees both passed similar bills creating a School Ready Children Grant Program. The House bill is HSB 592 and the Senate bill is SF 2347.

**Appropriation** Both bills establish a School Ready Children Grant Program to be administered by community empowerment area boards and the Iowa Empowerment Board, which are also created in the bills. Both bills appropriate $5.2 million for FY1999 for purposes of school ready children grants. The funds are to be distributed to the local empowerment boards based on each board’s percent of the statewide total of children qualifying for free and reduced price lunches in grades one through six.



**Purpose of Program** The School Ready Children Grant Program is designed to be a collaborative effort involving the Departments of Education, Human Services, and Public Health. These Departments are charged with identifying core indicators of performance to be used to assess the effectiveness of the grants, including:

* Increasing the basic skill levels of students entering school.
* Increasing the health status of children.
* Reducing the incidence of child abuse and neglect.
* Increasing the access of children to an adult mentor.
* Increasing parental involvement with their children.
* Increasing the quality and accessibility of child day care.

**Services Provided** The Program is to focus on providing needed services to children from birth to five years of age. Some of these services may include:

* Preschool services for children deemed at risk of not succeeding in elementary school.
* Parent education programs.

**Difference Between Bills** The main difference between the two bills is that the House gives preference to funding of programs for four-year-old children.

**Next Action** Both bills will be forwarded to the respective Appropriations Committees.

STAFF CONTACT: Mary Shipman (Ext. 14617) Jon Studer (Ext. 17799)

House Education Committee Approves HSB 593 - teacher induction/teacher certification Programs

**Teacher Induction Program** The House Education Committee approved HSB 593 on February 25. The Bill makes the following appropriations:

* $180,000 to the Department of Education for teacher induction program grants. The funds are to be used to assist a minimum of 100 teams of mentors and beginning teachers at an estimated cost of $1,800 per team. Mentor teachers are eligible for a $500 stipend per semester ($1,000 per year). Additional funds are allocated for payment of FICA, IPERS, and other administrative costs of the district such as substitutes and training.
* $250,000 for stipends for teachers who have achieved or are working toward national certification. Teachers who have achieved national certification are eligible to receive a $10,000 annual stipend for as long as the certificate is valid for up to five years. Teachers seeking to become nationally certified are eligible to receive an award equal to one-half the registration fee charged by the National Board of Professional Teaching Standards. Upon successful completion of national certification, the teacher is eligible to receive a payment for the balance of the registration fee.

**Teacher Terminations** The Bill also makes changes to the procedures for teacher terminations. The most significant of these is elimination of an adjudicator from the process, thus giving school boards final authority in the termination process.

**Next Action** The Bill now goes to the Appropriations Committee.

STAFF CONTACT: Mary Shipman (Ext. 14617) Jon Studer (Ext. 17799)

Executive Branch Staffing Level Summary



**Staffing Level**  The number of Executive Branch supervisory employees increased by 15 (0.8%) between June 27, 1997, and December 25, 1997, according to the Department of Personnel. During this period, the number of full-time employees increased by 128 (0.7%).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Supervisory Employees** |  | **Full-Time**  **Employees** |  | **Part-Time**  **Employees** |
|  | Employees as of 6/27/97 | 1,891 |  | 18,723 |  | 259 |
|  | Year-to-Date Reductions | -91 |  | -1,065 |  | -57 |
|  | Year-to-Date Additions | 106 |  | 1,193 |  | 42 |
|  | Adjusted Staffing Level  as of 12/25/97 | 1,906 |  | 18,851 |  | 244 |
|  | Net Change | 15 |  | 128 |  | -15 |
|  | Percent Change | 0.8% |  | 0.7% |  | -5.8% |

**STAFFING LEVEL**

Note: This staffing level does not include the Board of Regents, State Fair Authority, or contract employees.

STAFF CONTACT: Paige Piper/Bach (Ext. 14613)

Weekly Medical Assistance Expenditures in the Department of Human Services



**Medical Assistance Program** For the week ending February 23, 1998, FY 1998 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $14.9 million (95.4% of budget). This is $718,000 below the weekly budget established by the Department. Year-to-date Medical Assistance General Fund expenditures are $228.4 million, which is $5.6 million (2.5%) above the amount budgeted for the fiscal year-to-date.

**Expenditures Monitored** The LFB will continue to monitor Medical Assistance Program expenditures and will provide regular updates to members of the General Assembly. More information is available from the Fiscal Bureau.



STAFF CONTACT: Margaret Buckton (Ext. 17942)