FISCAL UPDATE April 28, 1998

Legislative Fiscal Bureau (515) 281-5279 FAX 281-8451

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FY 1999 General fund Final Appropriations



**FY 1999 Appropriations** The General Assembly appropriated $4.542 billion from the General Fund for FY 1999, or approximately $179.2 million more than the adjusted FY 1998 appropriations. A tracking document reflecting appropriations from the General Fund is attached to this document **(Attachment 5).** The tracking documents will be updated with the Governor’s item vetoes as they are received.



**Projected Ending Balance** The legislative action, prior to any Governor’s vetoes, results in a projected General Fund ending balance of $275.6 million for FY 1999. The Cash Reserve Fund for FY 1999 will receive the FY 1998 ending balance of approximately $435.8 million. The Cash Reserve Fund and the Economic Emergency Fund will each have reached the 5% statutory maximum. **Attachments 3** and **4** outline the flow of General Fund Revenues after expenditure limitations.

**Balance Sheet** **A copy of the General Fund projected balance sheet is attached to this document (Attachment 1).**

**Year-end Summary** The Legislative Fiscal Bureau’s **1998 Session Fiscal Report** should be completed and printed in mid-June. The report will contain the annotated appropriations bills (NOBA style) and summaries of ways and means action.

**Fiscal Facts** **Fiscal Facts**, a pocket-sized document containing data pertaining to overall revenues and expenditures of State government, as well as detail regarding the most pertinent and discussed topic areas, is being updated based on the just-completed legislative action and will be available in May.

STAFF CONTACT: Holly Lyons (Ext. 17845) Dennis Prouty (Ext. 13509)

Administration and Regulation Appropriations Subcommittee Bill - HF 2498



**Admin./Reg. - HF 2498** The General Assembly passed HF 2498, the Administration and Regulation Appropriations Bill, on April 22. The Bill appropriates $86.6 million from the General Fund and 1,896.8 FTE positions, an increase of $2.2 million (2.6%) and 1.8 (0.09%) FTE positions compared to the estimated FY 1998 appropriation. The General Fund appropriation represents a decrease of $355,000 (0.4%) and 5.6 (0.3%) FTE positions compared to the Governor’s FY 1999 recommendations. House File 2498 appropriates funds to the following entities:

* Office of the Auditor of State
* Ethics and Campaign Disclosure Board
* Department of Commerce
* Department of General Services
* Office of the Governor and Lieutenant Governor
* Department of Inspections and Appeals
* General Assembly
* Department of Management
* Department of Personnel
* Department of Revenue and Finance
* Office of the Secretary of State
* Office of State-Federal Relations
* Office of the Treasurer of State

The significant changes, compared to estimated FY 1998 appropriations, are outlined by department below.

**Ethics/Campaign Disc.** Ethics and Campaign Disclosure Board - An increase of $43,000 for reporting software and an electronic interface with the public.

**Commerce** Department of Commerce



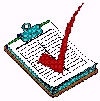
* An increase of $34,000 in the Administrative Services Division for rent expense due to relocation outside the Capitol Complex.
* A decrease of 4.0 FTE positions in the Banking Division to eliminate unfunded and vacant positions.
* An increase of $300,000 in the Insurance Division for rent expense due 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.

**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 2.0 FTE positions in the Property Management Division to manage infrastructure projects.
* An increase of $180,000 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 $90,000 in the Health Facilities Division to fund a building inspector 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.

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

**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 $4.3 million from the Iowa Public Employees Retirement System (IPERS) Fund for the following:



* $4.0 million for acquisition, remodeling, and relocation of an IPERS headquarters building.
* $80,000 to contract with various government agencies and private pension research firms to begin an address verification project.
* $120,000 to purchase a computer server, software, and training to support movement to a server-based office network.
* $20,000 for completing the study on the possible establishment of a statewide deferred compensation plan for active members of the IPERS.
* $15,000 for performing a study on whether adjunct instructors employed at community colleges or Regents universities should be allowed to join the IPERS.
* $35,000 for a comprehensive examination of the plan design for benefit parity issues among the State public employees’ retirement systems.
* 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 $440,000 in the Internal Resources Management Division for a desktop operating system and software development.
* 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.

**More Information** House File 2498 has not yet been signed by the Governor. Additional information is available from the Legislative Fiscal Bureau upon request.

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

AGRICULTURE AND NATURAL RESOURCES APPROPRIATIONs Subcommittee BILL - SF 2295



**Ag./Natural Res. - SF 2295** The General Assembly passed SF 2295, the Agriculture and Natural Resources Appropriation Bill, on April 15. The Bill appropriates $50.2 million and 1,451.3 FTE positions, an increase of $1.3 million and 16.3 FTE positions compared to estimated FY 1998 appropriation and an increase of $217,000 and 3.3 FTE positions compared to FY 1999 Governor’s Recommendations.

**Agric./Land Stewardship** The Department of Agriculture and Land Stewardship was appropriated $24.8 million from the General Fund, an increase of $447,000 compared to the estimated FY 1998 appropriation. Major changes compared to estimated FY 1998 appropriations include:

* Increases the Administrative Division appropriation by $49,000 and 1.3 FTE positions for the development of market information for feeder cattle and segregated early weaned pigs and changes from contract employees to FTE positions.
* Increases the Regulatory Division appropriation by $35,000 and 2.0 FTE positions, which includes; meat, poultry, and livestock inspections, an additional FTE for the Horse and Dog Program, and changes from contract employees to FTE positions.
* Increases the Laboratory Division appropriation by $91,000 for the Organic Agriculture Program and for salary annualization.
* Increases the Soil Conservation Division appropriation by $190,000 for training and technology of district office staff and for salary annualization.
* Requires the Department to reinstate the Deputy Secretary of Agriculture position on January 1, 1999.



**Natural Resources** The Department of Natural Resources was appropriated $25.4 million from the General Fund, an increase of $790,000 compared to estimated FY 1998 appropriation. Major changes compared to estimated FY1998 appropriation include:

* Increases the Administrative Services Division appropriation by $49,000 and 2.0 FTE positions due to an increase of 1.0 FTE position for manure management plans inspection and oversight and the transfer of 1.0 FTE from the Air Quality Bureau.
* Increases the Energy and Geological Resource Division appropriation by $87,000 and 2.0 FTE positions due to data requirements for construction permits and manure management plans for confinement feeding operations.



* Increases the Environmental Protection Division appropriation by $633,000 and 6.00 FTE positions due to on-site inspection and oversight of manure management plans and funds to match federal funds for the Air Quality Program.

**Other Provisions** Other provisions of the Bill include:



* Requires an allocation of $300,000 to Iowa State University for conducting studies on groundwater and surface water contamination with study results to be reported to the Department of Natural Resources, the Legislative Fiscal Bureau, and the Joint Appropriations Subcommittee on Agriculture and Natural Resources.
* Requires the Legislative Council to establish an interim study committee to review the need for improvements of animal feeding operations and on-site inspections. Requires the study committee to submit a report to the General Assembly in January 1999.
* Requires any funds not used during FY 1999 for appointed, nonelected salaries, from the funds appropriated to the Department of Agriculture and Land Stewardship and the Department of Natural Resources be transferred to the Soil Conservation Cost Share Program for reallocation to County Soil and Water Conservation Districts.

**More Information** Senate File 2295 has not yet been signed by the Governor. Additional information is available from the Legislative Fiscal Bureau upon request.

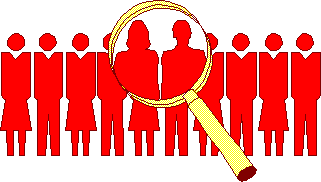
STAFF CONTACT: Sherry Weikum (Ext. 17846) Deb Kozel (Ext. 16767)

Economic Development Appropriations Subcommittee Bill - SF 2296



**Econ. Devel. - SF 2296** The General Assembly passed SF 2296, the Economic Development Appropriations Bill, on April 21. The Bill appropriates $41.2 million from the General Fund and 1,290.1 FTE positions. This is an increase of $1.6 million (4.1%) and 19.5 FTE positions (1.5%) compared to the estimated FY 1998 appropriation. The appropriations are outlined by department below.

**Appropriations** The total General Fund appropriated amount was $108,000 above the level recommended by the Governor.



**DED** Department of Economic Development (DED) - FY 1999 appropriation of $25.0 million and 182.0 FTE positions. Changes include:

* An increase of $300,000 and 3.0 FTE positions for a new Workforce Recruitment Initiative. The Initiative would use innovative techniques and technology to recruit workers to Iowa and would be funded by the General Fund appropriation, $150,000 allocated from the Strategic Investment Fund, and $400,000 allocated from the General Fund appropriation to the DED's Business Development Division.
* An increase of $20,000 for the Film Office for film crew development and community support and preparedness.
* An increase of 1.0 FTE position for additional pre-audit and contract review staff.
* A decrease of $100,000 due to transferring funding for the Ag-Based Industrial Lubrication Center from the Business Development General Fund appropriation to the Value-Added Agriculture Products and Processes Fund.
* An increase of $100,000 for Business Development to expand efforts to assist existing businesses with workforce recruitment.
* An increase of 1.0 FTE position to administer the Enterprise Zone Program.
* An increase of $50,000 for the Community Assistance Program to replace reduced receipts from the Rural Community 2000 Fund.
* An increase of $76,000 for the Community Development Program to replace reduced receipts from the Rural Community 2000 Fund, Community Development Loan Fund, and from federal funds.
* A decrease of $150,000 for the Community Development Program due to transferring funding of the Councils of Governments from the General Fund to the Rural Community 2000 Fund.



* An increase of $179,000 for the Community Development Program to expand the Community Management Assistance Program.
* An increase of $13,000 to expand the Partner State Program.
* An increase of $125,000 for expanded tourism advertising activities and to pay increased costs associated with the tourism information fulfillment contract with Iowa Prison Industries.
* An increase of $33,000 for salary annualization across all DED budget units.
* An increase of 17.0 FTE positions due to changes from contract employee to State employee status.
* An increase of $1.3 million from the Workforce Development Fund to expand the DED’s Workforce Development programs.
* A decrease of 3.8 FTE positions due to the elimination of the Iowa Seed Capital Corporation. Amends the Board composition and powers of the Iowa Seed Capital Corporation. Repeals the position of President of the Iowa Seed Capital Corporation. Requires the new Board to liquidate the assets of the Corporation in a manner that will maximize the net revenue to the State and minimize the impact to the companies involved. Requires any cash assets and money derived from the sale of assets be transferred to the DED's Strategic Investment Fund. Requires the Corporation Board to provide an annual report to the General Assembly.



* Creates a new School-to-Career Program. The Program is designed to encourage high school students to select a specific employer and career path during their junior year. The Program is funded by an employer tax credit for a portion of the student's wages and post-secondary education costs. A $500,000 standing limited General Fund appropriation is created starting in FY 2000. The Program sunsets at the end of FY 2004.
* Requires the DED to file reports with the General Assembly concerning trade activities in the Chinese market.
* Increases the size of the Iowa Housing Corporation's Board from five to seven and specifies one member shall be a representative of the Homebuilders Association and one shall be a representative of the Bankers Association. Those two organizations currently are represented on the Corporation's Board. The Corporation would be allowed to select its own members. Requires the Corporation to report annually to the Chairpersons and Ranking Members of the Economic Development Appropriations Subcommittee.
* Allows community colleges to enter into job training agreements with businesses using the college's own funds. The agreement would be repaid with property tax and Income Tax Withholding in the same manner as the New Jobs Training Program contained in Chapter 260E, Code of Iowa. The community colleges would also be allowed to retain certain State Income Tax Withholding payments, once the training project bonds to which those tax payments were pledged have been satisfied.

**Workforce Development** Department of Workforce Development - FY 1998 appropriation of $7.9 million and 1,021.4 FTE positions. Changes include:

* An increase of $59,000 and 1.0 FTE position for the Industrial Services Division to add an employee to ensure compliance with workers' compensation laws and to compile industry data.



* A decrease of $18,000 and an increase of 0.5 FTE position due to reclassification of two positions.
* An increase of $889,000 for a new appropriation to provide matching funds for the new federal Welfare-to-Work Program.
* An increase of $19,000 for salary annualization.
* An increase of 2.0 FTE positions to assist with the new DED Workforce Recruitment Initiative.

**PERB** Public Employment Relations Board (PERB) - FY 1999 appropriation of $858,000 and 12.8 FTE positions. There are no significant changes from estimated FY 1998.

**Board of Regents** Board of Regents Programs - FY 1999 appropriation of $7.4 million and 74.5 FTE positions. There are no significant changes from estimated FY 1998.

**More Information** Senate File 2296 has not yet been signed by the Governor. Additional information is available from the Legislative Fiscal Bureau upon request.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Education Appropriations Subcommittee Bill - HF 2533



**Education - HF 2533** The General Assembly passed HF 2533, the FY 1999 Education Appropriations Bill, on April 16. The Bill appropriates $863.1 million from the General Fund and 17,287.4 FTE positions. This is an increase of $13.5 million (1.6%) and 60.3 FTE positions (0.4%) compared to the estimated FY 1998 appropriation. Within this General Fund calculation is a $220,000 decrease affecting the appropriations within SF 2366 (Education Reform Bill). Without this action, the appropriation within HF 2533 is $863.3 million. The appropriations are outlined by department in the following paragraphs.

**Appropriations** Total General Fund appropriations are $2.1 million more than the amount recommended by the Governor. For comparison purposes, the Governor’s recommendation was decreased by $19.3 million to reflect the General Assembly’s decision to separate certain appropriations for action within SF 2366 (Education Reform Bill).

**College Student Aid**College Student Aid Commission - FY 1999 General Fund appropriation of $53.6 million and 5.40 FTE positions. The Bill also appropriates $5.2 million of other funds. Changes include:

* A decrease of $236,000 for the Iowa Grant Program. Federal funds are to be shifted to result in a net decrease of $167,000.
* An increase of $209,0000 for the National Guard Tuition Aid Program.



* An increase of $3.0 million for the Tuition Grant Program.
* An increase of $636,0000 for the Vocational-Technical Tuition Grant Program. Due to one-time FY 1998 funding, the actual increase for FY 1999 is $209,000.
* The Bill creates a standing appropriation of $90,000 for a new Industrial Technology Forgivable Loan Program. The funds are for forgivable loans of not more than $3,000 per year for sophomores, juniors, and seniors enrolled in an area of industrial technology education at community colleges, Regents institutions, and private institutions of higher education.
* The Bill appropriates funds from a new account within the Office of the Treasurer of State created with 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. Prohibits the College Student Aid Commission from expending interest funds from this account without appropriation by the General Assembly.



**Cultural Affairs**Department of Cultural Affairs - FY 1999 appropriations totaling $6.0 million and 88.7 FTE positions. Changes by division include:

* Arts Division
* An increase of $100,000 for operational support grants - $50,000 to replace one-time funds provided for FY 1998 and $50,000 to increase the grant total.
* An increase of $50,000 for the Access Iowa Arts Program.
* Historical Division



* An increase of $135,000 and 4.0 FTE positions to transfer the Records Management Division of the Department of General Services to the Historical Division.
* An increase of $25,000 to contract archival support to begin processing official records generated during the Branstad administration.
* An increase of $25,000 to annualize funding for exhibit maintenance.
* An increase of 0.5 FTE position to annualize an archeologist position.
* Historic Sites - An increase of $50,000 to fully fund staff at the Western Historic Trails Center in Council Bluffs.
* Local Arts Comprehensive Strategies (LACES) Program - FY 1999 appropriation of $25,000. This Program also receives an allocation of $50,000 from the Educational Excellence standing appropriation for total funding of $75,000 for FY 1999. This Program was located within the Department of Education in FY 1998 and previous years.

**Dept. of Education**Department of Education - FY 1999 appropriations totaling $165.3 million and 560.9 FTE positions. Significant changes include:

* State Library



* An increase of $180,000 for maintenance of the State of Iowa Libraries On-line (SILO) Program. The appropriation brings the total State funding for SILO to $240,000, which includes $60,000 in the base budget for FY 1998. This fully funds the State portion of SILO maintenance as requested by the State Library. The State Library intends to use $160,000 of federal funds for a total of $400,000 annually for SILO maintenance.
* An increase of $98,000 for the Open Access Program. When combined with other one-time funding provided in the bill, total new funds for the Open Access Program of $140,000.
* An increase of $27,000 for the Access Plus Program.
* Regional Library System - An increase of $100,000 for salary increases.
* Area Education Agencies Audit - Provides a new appropriation of $75,000 for transfer to the Auditor of State to perform a one-time performance audit of the area education agencies.
* Community Colleges - An increase of $4.8 million for general aid.

**Ed. Excellence Approp.** Educational Excellence Standing Appropriation - Makes the following new allocations:

* $50,000 from Phase III to the Math and Science Coalition. This item was previously funded from the General Fund.
* $75,000 each year for FY 1999 and FY 2000 to the Math and Science Coalition for a pilot program.

**Statutory/Intent Language** Significant intent language and Code of Iowa changes related to the Department of Education:

* Requires $50,000 of funds remaining from the FY 1998 appropriation to the Department of Education for the Rehabilitating Computers for Schools and Libraries Program to be allocated to the community colleges.



* Permits the Board of Educational Examiners to retain up to 85.0% of the increased revenues as a result of license fee increases for purposes of Board duties.
* Eliminates funding for the First In the Nation in Education (FINE) Foundation.
* Changes the distribution of the interest earned on the Permanent School Fund. In FY 1998 and prior years, the interest funds were allocated to the FINE Foundation and the Belin/Blank International Center for Gifted and Talented Education located at the University of Iowa. In FY 1999, 55.0% of the funds ($238,000) will be allocated to the Reading Recovery Program and 45.0% ($195,000) will be allocated to the Belin/Blank Center.



**Board of Regents** Board of Regents - FY 1999 appropriation of $638.4 million and 16,597.8 FTE positions. Changes include:

* University of Iowa
* Increases the appropriation for the 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 for the University of Iowa Driving Simulator by $357,000.
* Adds a new appropriation of $50,000 for the Birth Defects Registry.
* Adds a new appropriation of $200,000 for the Creative Employment Options university-affiliated program.
* Iowa State University:



* Increases the appropriation for the general university operating budget by $184,000 for salary annualization and opening the Kildee Hall addition. This also includes a decrease of the World Food Prize appropriation of $250,000 into a separate budget unit.
* Increases the appropriation for the Cooperative Extension Program by $922,000 for salary annualization, the Food, Fiber, and Environmental Science Program, and the Extension 21 Program.
* Adds a new appropriation of $250,000 for the World Food Prize, which had been included within the general university operating budget for FY 1998.



* Adds a new appropriation of $200,000 for the Bioinformatics Program.
* University of Northern Iowa - Increases the appropriation for the general university operating budget by $769,000 for salary annualization, library inflation, opening the Wellness Building, undergraduate education, international education, and special education.

**Tuition Replacement**The Bill requires the funds remaining from the FY 1998 appropriation for Tuition Replacement to revert to the General Fund of the State rather than carryover into FY 1999.

**Education Reform**Education Reform - House File 2533 includes several sections changing appropriations and statutory language contained in SF 2366 (Education Reform Bill). A separate summary within this ***Fiscal Update*** includes detail on those changes.

**More Information** House 2533 has not yet been signed by the Governor. Additional information is available from the Legislative Fiscal Bureau upon request.

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Health and Human Rights Appropriations Subcomittee Bill - SF 2280



**Health/Hum. Rts. - SF 2280** The General Assembly passed SF 2280, Health and Human Rights Appropriations Bill on April 14. The Bill appropriates $89.2 million and 1,341.9 FTE positions to the Departments of the Blind, Elder Affairs, Human Rights, and Public Health; the Governor’s Alliance on Substance Abuse; the Civil Rights Commission; the Commission on Veterans Affairs; and the Iowa Veterans Home. This is an increase of $1.3 million (1.5%) and 11.9 (0.9%) FTE positions compared to the estimated FY 1998 appropriation, and an increase of $144,000 (0.2%) and 13.2 (1.0%) FTE positions compared to the Governor’s FY 1999 recommendation. The General Fund appropriations, FTE positions, and significant changes by department, are outlined below.

**Dept. for the Blind** The Bill appropriates $1.6 million and 97.5 FTE positions to the Department for the Blind. This is an increase of $58,000 (3.8%) and 2.5 (2.6%) FTE positions compared to estimated FY 1998. The increase includes $43,000 to maintain the current library service level.

**Civil Rights Commission** The Bill appropriates $1.2 million and 38.5 FTE positions to the Civil Rights Commission. This is no change in appropriation and an increase of 1.0 (2.6%) FTE position compared to estimated FY 1998.

**Dept. of Elder Affairs** The Bill appropriates $4.8 million and 28.0 FTE positions to the Department of Elder Affairs. This is an increase of $562,000 (13.4%) and no change in FTE positions compared to estimated FY 1998. The increase includes $58,000 to expand existing Retired Senior Volunteer Programs (RSVP) and $500,000 to expand the Case Management Program statewide.

**Alliance on Subst. Abuse** The Bill appropriates $448,000 and 10.0 FTE positions to the Governor’s Alliance on Substance Abuse. This is an increase of $5,000 (1.0%) and a decrease of 0.1 (1.0%) FTE position.

**Human Rights** The Bill appropriates $3.3 million and 34.5 FTE positions to the Department of Human Rights. This is an increase of $49,000 (1.5%) and no change in FTE positions compared to estimated FY 1998.



**Public Health** The Bill appropriates $35.8 million and 324.8 FTE positions to the Department of Public Health. This is an increase of $277,000 (0.8%) and 5.8 (1.8%) FTE positions. The increase includes:

* $94,000 to return 85.0% of the fees generated by the boards of the Professional Licensure Bureau to the boards.
* $100,000 for completion of core public health functions at the local level.
* $42,000 and 1.0 FTE position to establish a rural hospital flexibility program.

**Comm. On Veterans Affairs** The Bill appropriates $42.2 million and 808.6 FTE positions to the Commission on Veterans Affairs. This is an increase of $384,000 (0.9%) and 2.8 (0.4%) FTE positions compared to estimated FY 1998. The increase includes $293,000 for costs of dietary and housekeeping services at the Iowa Veterans Home.

**Statutory/Intent Language** Major statutory or intent language changes include:

* Specifies funds remaining in the Gambling Treatment Fund at the end of FY 1998 be appropriated to the Department of Public Health and allocated as follows:
* $236,000 to the Department of Public Safety for undercover purchases of methamphetamines.
* $83,000 to the Governor’s Alliance on Substance Abuse for education initiatives regarding the dangers of methamphetamines.



* Caps deposits into the Gambling Treatment Fund at $1.9 million. Specifies funds deposited into the Fund in excess of $1.9 million during FY 1999 be appropriated to the Department of Public Health and allocated as follows:
* $200,000 to the Department of Public Health for the Public Health Nursing Program.
* $78,000 to the Department of Public Health for training of emergency medical services personnel.
* $130,000 to the Department of Elder Affairs for recruitment, retention, recognition, and training of care review committee volunteers.
* $150,000 to the Department of Public Health for core functions of local boards of health.
* $70,000 to the Iowa Law Enforcement Academy to train officers on recognizing persons with Alzheimer’s Disease.
* $70,000 to the Department of Public Safety for the Drug Abuse Resistance Education Program (DARE).
* $200,000 to the Department of Public Safety to combat methamphetamine use.
* Permits the Department of Elder Affairs to grant an exception to State law relating to building accessibility for persons with disabilities for assisted living buildings in existence on July 1, 1998.
* Extends the sunset of the Community Grant Fund to June 30, 2000.
* Amends the Code of Iowa to require that 0.3% of the gross sum wagered at pari-mutuel tracks be deposited into the Gambling Treatment Fund.
* Requires the Department of Public Health to establish a task force to evaluate current infectious disease laws in the State.
* Requires the Department of Public Heath to establish a Domestic Death Review Team.



* Requires the Department of Public Health to designate any medical center which is operating a poison center on or before July 1, 1998, as a State poison center.
* Requires the Substance Abuse and Health Promotion Division of the Department of Public Health to establish an interagency work group to evaluate the effectiveness of all State and federally funded substance abuse treatment and prevention programs in the State.
* Requires the Department of Public Health to establish a Scope of Practice Review Committee to review oversight of the nurse aide workforce to determine adequacy of education and competency testing.
* Requires the Department of Public Health to conduct an evaluation of the Gambling Treatment Program.
* Requires that successor contractors at the Iowa Veterans Home not consider employees to be new employees when determining wages, health insurance, or retirement benefits.
* Requires the Chairpersons and Ranking Members of the Joint Health and Human Rights Appropriations Subcommittee be notified by January 15 of any calendar year during which a request for proposal is anticipated to be issued regarding any employment at the Iowa Veterans Home.

**More Information** Senate File 2280 has not yet been signed by the Governor. Additional information is available from the Legislative Fiscal Bureau upon request.

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Human Services Appropriations Subcommittee Bill - SF 2410



**Human Services - SF 2410** The General Assembly passed SF 2410, the Human Services Appropriations Bill, on April 15. The Bill appropriates $726.2 million and 5,451.2 FTE positions for FY 1999, a decrease of $9.6 million (1.3%) and an increase of 90.7 FTE positions (1.7%) compared to the estimated FY 1998 appropriation. The change compared to the Governor’s FY 1999 recommendation is a decrease of $1.2 million (0.2%) and an increase of 109.1 FTE positions (2.0%). The Bill also appropriates federal Temporary Assistance for Needy Families (TANF) funds, including an FY 1998 supplemental appropriation of $682,000 and $143.6 million for FY 1999, an increase of $8.2 million (6.1%) compared to the estimated FY 1998 appropriation. The change compared to the Governor’s FY 1999 recommendation is an increase of $10.7 million (8.1%). Major changes compared to the estimated FY 1998 appropriation include:

**Sexual Predator Facility Sexual Predator Civil Commitment Facility** - A new appropriation of $500,000 to fund the costs associated with the civil commitment and treatment of sexually violent predators.

**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. The appropriation reflects the following significant changes:

* **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 TANF federal funds allocations previously allocated to FIP and Promise Jobs in FY 1998, but allocated to other Divisions within DHS in FY 1999. An exchange of State and TANF appropriations between other divisions within the Department and the Family Investment Program 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 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 July 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 expand the FaDSS (Family Development and Self Sufficiency) Program statewide.
* 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 FIP, and replacement with 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 and 5.0 FTE positions to replace a one-time carry-forward of $1.0 million and one-time Lottery Funds transfer of $300,000 in FY 1998, to continue welfare reform changes required by the federal government.
* An increase of 5.0 FTE positions to convert contract FTE positions to full-time equivalent status.



**Medical Services Medical Services** - $419.8 million and 17.0 FTE positions, an increase of $10.7 million (2.6%) and no change in FTE positions compared to estimated FY 1998. Significant changes include:

* **Medical Assistance** - An increase of $3.7 million (1.0%), with major changes comprised of:
* An increase of $15.4 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 an estimated 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** - A decrease of $343,000 (4.5%) 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 133.0% of the federal poverty level for children ages 6 through 18. The State will receive the enhanced SCHIP federal match rate for those individuals ages 6-18 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. Significant changes include:

* **Child Care** - A decrease of $5.0 million (36.4%) in General Fund appropriations to replace State funds with TANF federal funds to provide State Child Care Assistance.
* **Toledo Juvenile Home** - An increase of $671,000 and 17.5 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 $431,000 and 11.45 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 $14.3 million, including the following major changes:



* A General Fund decrease of $19.0 million of State funds to transfer to the FIP, and replace with 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 $1.3 million to expand Adolescent Monitoring by 10.0%, Supervised Community Treatment by 10.8%, School-Based Supervision by 20.0%, and Life Skills by 7.5%.
* An increase of $436,000 to expand Group Care by 17 youth per day for a total average daily population of 1,132 children.
* An increase of $2.7 million to increase Subsidized Adoptions by 334 adoptions compared to the FY 1998 caseload.
* A decrease of $2.1 million due to decreased Family Foster Care caseloads and support costs. The decrease is based on the estimated FY 1998 allocations for Foster Care and the increase in Subsidized Adoptions which reduces the Foster Care caseload.



**(MI/MR/DD/BI) Services for Persons with Mental Illness/Mental Retardation/Develop-mental Disabilities/Brain Injuries (MI/MR/DD/BI)** - $73.3 million and 2,378.3 FTE positions, a decrease of $24.9 million (25.4%) and an increase of 8.76 FTE positions (0.4%) compared to the estimated FY 1998 appropriation. The major changes include:

* **Cherokee Mental Health Institute** - A decrease of $663,000 and 13.8 FTE positions, 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 $306,000 and 1.8 FTE positions, including an increase of $258,000 to add direct care staff to meet licensure and certification requirements.



* **Independence Mental Health Institute** - A decrease of $381,000 and 8.1 FTE positions, including a decrease of $380,000 and 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.
* **Mount Pleasant Mental Health Institute** - An increase of $345,000 and 22.4 FTE positions, 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. Combined with the existing dual diagnosis project at Mount Pleasant, the total available for dual diagnosis treatment will be 15 beds.
* **Glenwood State Hospital-School** - A decrease of $652,000 and 19.8 FTE positions, 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 $25.7 million and 26.3 FTE positions, including a decrease of $25.9 million to implement net-State budgeting. There is a corresponding reduction in General Fund revenues, which will be received into the Woodward State Hospital-School operating fund rather than the General Fund.
* **State Cases Program** - An increase of $1.7 million due to projected increases in county referrals to the Program of the mentally ill, mentally retarded, and developmentally disabled populations. The mental health portion of the State Cases Program will be included in the next Managed Behavioral Healthcare Contract.

**Managing/Delivering Serv**. **Managing and Delivering Services** - $65.0 million and 2,472.0 FTE positions, an increase of $685,000 (1.1%) and 41.0 FTE positions (1.7%) compared to estimated FY 1998. Significant changes include:



* **Field Operations** - An increase of $17,000 and 36.0 FTE positions, with major changes including:
* A decrease of $1.2 million to offset a like increase of TANF federal funds.
* An increase of $367,000 for salary annualization.
* An increase of $394,000 and 12.0 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 $648,000 and 5.0 FTE positions, including an increase of $506,000 for personal computer and network server software maintenance agreement inflation for Field Operations, Child Support, Institutions, and Central Office.

**Property Tax Relief Property Tax Relief** - The General Assembly 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 growth was appropriated for increased mental health costs associated with new clients and inflation. 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.

**Unallocated TANF Funds Previously Unallocated TANF Funds** - The General Assembly also approved allocations of previously unallocated TANF funds, including $3.8 million to be transferred to Child Care for local grants to coordinate child care services, Head Start, preschool programs, sick child care, late shift and weekend child care, and any other child care services at the local level as part of the Programs for Children ages 0-5 initiative. The $3.8 million for local grants is appropriated annually for Fiscal Years 1999, 2000, 2001, and 2002. Additional TANF funds of $1.4 million were also allocated to expand the FaDSS (Family Development and Self Sufficiency) Program statewide.

**More Information** Senate File 2410 has not yet been signed by the Governor. Additional information is available upon request from the Legislative Fiscal Bureau.

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JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE BILL - hf 2539



**Justice System - HF 2539** The General Assembly passed HF 2539, the Justice System Appropriations Bill, on April 14. The Bill appropriates $418.5 million and 7,493.5 FTE positions from the General Fund to the Department of Justice, Department of Corrections, Judicial Department, Office of the Public Defender and Indigent Defense, Iowa Law Enforcement Academy, Parole Board, Department of Public Defense, and the Department of Public Safety. This is an increase of $28.0 million (7.2%) and 341.0 (4.8%) FTE positions compared to the estimated FY 1998 appropriation. The General Fund appropriation represents a decrease of $1.9 million (0.5%) and an increase of 45.9 (0.6%) FTE positions compared to the Governor’s recommendations. The significant changes, by department, are outlined below.

**Attorney General** Attorney General: An appropriation of $12.8 million and 243.5 FTE positions. This is an increase of $266,000 (2.1%) and 8.0 (3.4%) FTE positions compared to estimated FY 1998. Major changes include:

* An increase of $120,000 for the General Office for upgrading and expanding office technology.
* An increase of $100,000 for the Legal Services Poverty Grant Program.



**Dept. of Corrections** Department of Corrections: An appropriation of $211.3 million and 3,798.5 FTE positions. This is an increase of $13.4 million (6.8%) and 255.0 (7.2%) FTE positions compared to estimated FY 1998. Major changes include:

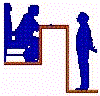
* *Institutions:* An increase of $11.8 million (8.3%) and 235.7 (9.2%) FTE positions compared to the estimated FY 1998 appropriation. Major changes include:
* A decrease of $826,000 and 12.0 FTE positions because Cellhouse 17 at Fort Madison will not be renovated and reopened during FY 1999 due to a delay by an inmate lawsuit. Funding for three months operations was appropriated for FY 1998.
* An increase of $2.5 million to fund inmate support costs.
* An increase of $1.4 million and 37.0 FTE positions to provide staff and support for inmates working within the prison system (Inmate Hard Labor Program).
* An increase of $200,000 to replace expiring federal funding through the Governor’s Alliance on Substance Abuse (GASA) to continue substance abuse assessment during intake at Oakdale.
* An increase of $1.1 million to annualize inmate support costs at full capacity at the Newton prison.
* A decrease of $1.3 million to be offset by revenues from the Pay-For-Stay Program which requires inmates to pay part of their support costs.
* An increase of $2.2 million and 49.0 FTE positions to operate a 100-bed special needs women’s unit at Mt. Pleasant.
* An increase of $5.8 million for twelve months of operations at full capacity at the Fort Dodge prison.



* Transfers $1.0 million from the FY 1998 ending balance of the Prison Infrastructure Fund to the Department of Corrections for use in FY 1999. The funds are distributed as follows:
* $600,000 as State match for a $5.4 million federal Violent Offender Incarceration/Truth in Sentencing (VOI/TIS) Grant for construction of a 200-bed facility at the Mitchellville women’s prison.
* $100,000 to renovate the power plant and improve the water system at the Mitchellville women’s prison.
* $300,000 for installation of perimeter fencing at the Mt. Pleasant prison. This funds the construction needed to convert Department of Human Services beds to women’s prison beds.
* Prohibits the Department from placing inmates in a private prison located in Iowa without approval of the General Assembly.
* *Central Office:* A decrease of $97,000 (1.0%) and 2.0 (4.2%) FTE positions compared to the estimated FY 1998 appropriation. Major changes include:
* A decrease of $626,000 because the Corrections Expansion Phase I certificate of participation will be paid off in FY 1998. No appropriation is necessary in FY 1999.
* An increase of $500,000 for a sex offender hormonal treatment program. Senate File 2398 (Sex Offender Confinement Bill) creates the program.



* *Community-Based Corrections:* An increase of $1.7 million (3.8%) and 21.3 (2.3%) FTE positions compared to the estimated FY 1998 appropriation. Major changes include:
* An increase of $433,000 and 5.8 FTE positions to replace expiring federal funding through the Governor’s Alliance on Substance Abuse (GASA) for various community-based programs.
* A net increase of $981,000 and 19.3 FTE positions for staffing and operations of the relocated men’s work release residential facility at Fort Des Moines in the Fifth Community-Based Corrections District.



**Public Defender** Public Defender and Indigent Defense: An appropriation of $33.7 million and 199.0 FTE positions. This is an increase of $163,000 (0.5%) and no change in FTE positions compared to estimated FY 1998. Major changes are made to the Indigent Defense Fund and include:

* An increase of $1.1 million to pay all juvenile indigent defense claims directly from the Department.
* An increase of $706,000 for increased attorney rates.
* A decrease of $1.7 million due to a reduction to the base budget.

**Judicial Department** Judicial Department: An appropriation of $105.2 million and 2,045.1 FTE positions. This is an increase of $3.7 million (3.7%) and 48.8 (0.9%) FTE positions compared to estimated FY 1998. Major changes include:



* An increase of $847,000 and 19.1 FTE positions for Clerk of Court positions.
* An increase of $109,000 and 2.0 FTE positions to establish a planning division.
* An increase of $283,000 and 8.2 FTE positions for law clerks, Court attendants, and a financial aide.
* An increase of $181,000 and 5.5 FTE positions for expansion of the Court Appointed Special Advocate (CASA) Program.
* An increase of $192,000 and 4.0 FTE positions for court reporters for Associate Juvenile Judges.
* An increase of $177,000 for data processing expenses to put the Iowa Court Information System (ICIS) in Juvenile Court.

**Law Enf. Academy** Law Enforcement Academy: An appropriation of $1.3 million and 27.1 FTE positions. This is an increase of $47,000 (3.8%) and 1.0 (3.8%) FTE positions compared to estimated FY 1998. The major change is an increase of $50,000 for the Drug Abuse Resistance Education (D.A.R.E.) Program.

**Board of Parole** Board of Parole: An appropriation of $979,000 and 18.0 FTE positions. This is an increase of $22,000 (2.3%) and no change in FTE positions compared to estimated FY 1998. The major change is an increase of $15,000 to convert a part-time Parole Board Member position to a full-time Vice Chairperson position.

**Dept. of Public Defense** Department of Public Defense: An appropriation of $5.1 million and 257.0 FTE positions. This is an increase of $20,000 (0.4%) and 14.5 (6.0%) FTE positions compared to estimated FY 1998. The major change is an increase of 14.5 FTE positions to change contract employees to State employees.



**Dept. of Public Safety** Department of Public Safety: An appropriation of $48.2 million and 941.4 FTE positions. This is an increase of $10.3 million (27.2%) and 20.8 (2.3%) FTE positions compared to estimated FY 1998. Major changes include:

* An increase of $318,000 and 6.0 FTE positions for law enforcement officers for the new excursion boat in Osceola.
* An increase of $435,000 and 4.0 FTE positions to establish a DNA Profiling Unit.
* An increase of $365,000 and 4.0 FTE positions for risk assessment analysis for the Sex Offender Registry.
* An increase of $145,000 to replace federal and State funding for the Gang Unit.
* An increase of $161,000 for the Volunteer Firefighter Training Grant Program.
* An increase of $8.7 million from the General Fund for the Highway Patrol. This is the third year of a four-year phase-in to shift funding from the Motor Vehicle Use Tax Fund to the General Fund.

**Statutory Changes** The Bill makes the following significant changes to the Code of Iowa:

* Increases the maximum deposit to the Enhanced Court Collections Fund to $6.0 million for FY 1999. This is an increase of $2.0 million compared to the deposit required by current law.
* Requires unobligated or unexpended funds appropriated for FY 1998 operations of the Ft. Dodge prison to carry forward and be used to offset shortfalls in the revenues from inmate earnings in the Pay-for-Stay Program.

**More Information** House File 2539 has not yet been signed by the Governor. Additional information is available from the Legislative Fiscal Bureau upon request.

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Transportation Appropriations Bill - HF 2499



**Transportation - HF 2499** The General Assembly passed HF 2499, the Department of Transportation Appropriations Bill, on March 23. 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%) and 20.0 FTE positions compared to estimated FY 1998. The appropriations in HF 2499 represent an increase of $375,000 (0.2%) and no change in FTE positions compared to the Governor’s FY 1999 recommendation. The Bill provides funding for the following purposes.

**DOT Operations** Department of Transportation (DOT) Operations: The Bill provides $244.7 million for DOT operations, an increase of $3.8 million (1.6%) compared to estimated FY 1998. The appropriations, by division, are summarized below.

**Operations/Finance** Operations and Finance Division: $32.9 million and 271.0 FTE positions, an increase $1.9 million (6.2%) and 17.00 FTE positions compared to estimated FY 1998. The change includes:



* An increase of $200,000 for facility lease costs.
* An increase of $102,000 for telecommunication costs.
* An increase of $116,000 for contract maintenance on computer equipment and software licenses.
* An increase of $225,000 and 5.00 FTE positions for automation staff to implement the Electronic Document Management System and for support of a new local area network computer system.
* An increase of $35,000 for utility costs.
* An increase of $55,000 for outsourced maintenance contracts for printing-related equipment in the DOT’s Office of Document Services.



**Year 2000**

* An increase of $53,000 for reimbursement to Information Technology Services for salary annualization costs associated with the contract employees who provide computer support for the DOT.
* An increase of $186,000 for costs associated with the conversion of automation equipment and software to be Year 2000 compliant.
* An increase of $29,000 for Association of American Motor Vehicle Administrators Network (AAMVNET) services. The Network provides the resource necessary for states to access the National Driver License Records System and the Commercial Driver License Information System.
* An increase of $38,000 for publishing additional road maps due to increased demand and tourism in the State. The funds will be used to produce an additional 250,000 maps.
* An increase of $476,000 and 12.00 FTE positions for the transfer of existing funds and positions from the Project Development Division to increase the number of programming support staff within the Operations and Finance Division.
* An increase of $40,000 to connect DOT employees to the new Iowa Hub Electronic Mail System.
* An increase of $376,000 for salary annualization.

**Administrative Services** Administrative Services Division: $6.4 million and 98.0 FTE positions, an increase of $26,000 (0.4%) for salary annualization and no change in FTE positions compared to estimated FY 1998.

**Planning/Programming** Planning and Programming Division: $9.1 million and 174.0 FTE positions, an increase of $93,000 (1.03%) and no change in FTE positions compared to estimated FY 1998.

* An increase of $88,000 for salary annualization.
* An increase of $5,000 for the Mississippi Parkway Commission.

**Project Devel. Division** Project Development Division: $55.5 million and 1,174.0 FTE positions, an increase of $81,000 (0.2%) and a decrease of 11.0 FTE positions compared to estimated FY 1998. The change includes:



* An increase of $170,000 for start-up and training costs associated with software designed to automate the Department’s contract management system.
* A decrease of $476,000 and 12.0 FTE positions for the transfer of funds and staff to the Operations and Finance Division.
* An increase of $65,000 and 1.0 FTE position for the transfer of a position and existing funds from the Maintenance Division.
* An increase of $322,000 for salary annualization.



**Maintenance Division** Maintenance Division: $101.8 million and 1,591.0 FTE positions, an increase of $1.0 million (1.0%) and a decrease of 1.0 FTE position compared to estimated FY 1998. The change includes:

* An increase of $457,000 for the increased cost of sodium chloride for use on the Primary Road System for winter road maintenance.
* An increase of $275,000 for the purchase of additional sodium chloride due to expanded use on Level D Primary Roads for winter road maintenance. Level D roads consist of approximately 5,000 miles of the Primary System, are less frequently traveled, and are generally maintained at a lower standard than Level C and above roads.
* An increase of $90,000 to provide funding for mechanics’ clothing.
* A decrease of $65,000 and 1.0 FTE position for the transfer of a position and funds to the Project Development Division.
* An increase of $258,000 for salary annualization.

**Motor Vehicle Div.** Motor Vehicle Division: $24.8 million and 563.0 FTE positions, an increase of $1.0 million (4.2%) and 15.0 FTE positions compared to estimated FY 1998. The change includes:



Driver’s License

* An increase of $95,000 and 2.0 FTE positions to hire additional driver license examiners to assist with the issuance of Commercial Driver Licenses due to increased demand.
* An increase of $292,000 and 9.0 FTE positions to implement new requirements legislated in HF 734 (License Revocation Penalties Act) and HF 707 (Substance Abuse Act) pertaining to the collection of civil penalties for certain motor vehicle violations and for monitoring proof of completion of the drinking drivers course.
* An increase of $148,000 and 4.0 FTE positions for implementation of the proposed Graduated Driver’s Licensing System, which would place additional licensing requirements on beginning drivers between the ages of 14 and 17.
* An increase of $469,000 for salary annualization.

**Other Appropriations** The Bill also makes the following appropriations:

* Inventory and Equipment Replacement: $3.9 million, an increase of $689,000 (21.2%) compared to estimated FY 1998 for inflationary costs of equipment purchased through the Materials and Equipment Replacement Revolving Fund.
* State Auditor Reimbursement: $268,000, an increase of $27,000 (11.2%) compared to estimated FY 1998 for increased reimbursement to the State Auditor’s Office.
* Digitized Imaging System Lease: $1.6 million, an increase of $349,000 (26.9%) compared to estimated FY 1998 due to the increased number of documents (driver licenses and non-operator identification devices) issued through the Digitized Imaging Systems. The Systems are currently leased through the Polaroid Corporation and the State pays Polaroid a rate of $1.777 for every document processed.
* Railroad Assistance Program: $1.2 million, a decrease of $225,000 (15.9%) compared to estimated FY 1998 to fund the Program at the level of projected FY 1999 bond and loan repayments.
* State Aviation Program: $2.5 million, an increase of $12,000 (1.1%) compared to estimated FY 1998 for increased support of the Program.
* $16,000 for the Iowa Civil Air Patrol. This is a new appropriation.
* $700,000 for payment to the Department of Personnel for administrative expenses maintaining the current level of funding.
* $345,000 for payment of unemployment compensation claims, maintaining the current level of funding.
* $1.5 million for payment of workers’ compensation costs, maintaining the current level of funding.
* $800,000 for payment to the General Fund for indirect cost recoveries, maintaining the current level of funding.
* $1.0 million for costs associated with the disposal of hazardous wastes, maintaining the current level of funding.
* $150,000 for membership in the North America’s Superhighway Corridor Coalition, maintaining the current level of funding.
* $100,000 for operational costs associated with the toll-free telephone road and weather condition information system. These funds will be transferred to the Department of Public Safety.



**Capital Projects** Other Appropriations: The Bill also appropriates $4.6 million for capital projects and other purposes, which include:

* $550,000 to complete paving and grading necessary to replace existing scales and to construct buildings at the scale and inspection site in Fremont County.
* $1.5 million for construction of maintenance garage facilities. The projects include facilities in Storm Lake, Allison, and Shenandoah.
* $500,000 for construction of four salt storage facilities. The planned locations include Williams, West Burlington, Dubuque, and Davenport.
* $300,000 for waste water treatment improvements at maintenance garage locations.
* $300,000 for replacement of roofs at various maintenance garage locations.
* $200,000 for improvements to DOT facilities located throughout the State for compliance with the Americans with Disabilities Act requirements.



* $1.2 million for remodeling the third floor of the Department of Transportation Administration Building in Ames. This includes the removal of asbestos, replacement of the heating, ventilation, and air conditioning systems, and replacement of the ceiling and carpet.
* $25,000 from the Motorcycle Rider Education Fund for a grant to a national group of motorcycle riders, to be used for the purchase of equipment used in motorcycle education and training.

**Statutory Changes** The Bill also amends the Code of Iowa in the following ways:

* Reduces the amount of funds transferred from the Road Use Tax Fund to the General Fund for odometer fraud enforcement and prosecution. Under current law, 25 cents for every motor vehicle title issued (approximately $250,000 annually) is transferred to the General Fund to offset the costs incurred by the Attorney General’s appropriation for odometer fraud enforcement and prosecution. This Bill reduces the allocation to 10 cents for every title issued, which will reduce the amount transferred to the General Fund by an estimated $150,000 annually.
* Eliminates a provision that requires a portion of the fines and fees collected from commercial vehicle violation citations be deposited into the Prison Infrastructure Fund.

**More Information** House File 2499 has not yet been signed by the Governor. Additional information is available from the Legislative Fiscal Bureau upon request.

STAFF CONTACT: David Reynolds (Ext. 16934)

INFRASTRUCTURE APPROPRIATIONS BILL - SF 2381

**Infrastructure - SF 2381** The General Assembly passed SF 2381, the Infrastructure Appropriations Bill, on April 22. The Bill appropriates $60.7 million from the Rebuild Iowa Infrastructure Fund in FY 1999 and $10.0 million in FY 1998 for infrastructure-related improvements. The Bill appropriates $37.8 million more than the Governor’s FY 1999 recommendation. The appropriations include:

* $1.2 million to the Department of Agriculture and Land Stewardship for the Loess Hills Development and Conservation Fund.
* $250,000 for restoration of the space in the Capitol Building under the purview of the Judicial Branch.
* $2.4 million to the Department of Cultural Affairs for a Historical Site Preservation Grant Program.



* $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.

**Dept. of Corrections** Department of Corrections



* $1.4 million to the Department of Corrections for improvements to the Mitchellville Correctional Facility.
* $10.0 million to the Department of Corrections for construction of two cellblocks at the Fort Dodge Prison Facility. This is a FY 1998 supplemental appropriation.
* $6.5 million to the Department of Corrections for construction of a 200-bed facility at the Iowa State Penitentiary at Fort Madison.
* $1.5 million to the Department of Corrections for construction, renovation, and expansion of community-based correctional facilities.

**Dept. of Econ. Devel.** Department of Economic Development

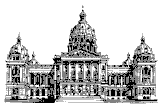
* $250,000 to the Department of Economic Development for construction of a welcome center at Hamburg.
* $5.0 million to the Department of Economic Development for the Physical Infrastructure Assistance Program.
* $100,000 to the Department of Economic Development to the Rural Enterprise Fund for a dry fire hydrant demonstration project.

**Dept. of Education** Department of Education

* $2.0 million to the Department of Education for vertical infrastructure improvements at community colleges.
* $450,000 to the Department of Education for completion of the National Education Center for Agriculture Safety located on the campus of the Northeast Iowa Community College.

**General Services** Department of General Services

* $8.8 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. In addition, the Bill appropriates up to $700,000 from any unobligated or unencumbered funds remaining on June 30, 1999, in the Rebuild Iowa Infrastructure Fund for critical and deferred maintenance at 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.
* $5.8 million to the Department of General Services for planning, design, and partial construction costs 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.

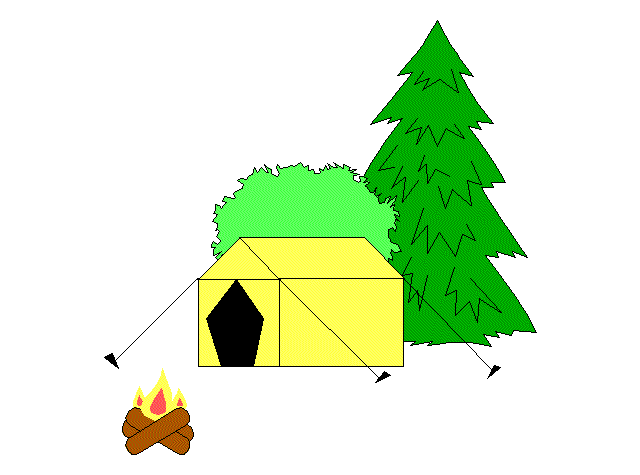
**State Fair Foundation** Iowa State Fair Foundation



* $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.
* $1.1 million to the Iowa State Fair Foundation for infrastructure improvements to county fairs.

**Natural Resources** Department of Natural Resources

* $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 Loan Fund.
* $2.2 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. The Bill specifies that $200,000 of the appropriated funds be used to implement a lake rehabilitation pilot program for publicly-owned lakes.

**Dept. of Transportation** Department of Transportation



* $945,000 to the Department of Transportation for infrastructure improvements at Iowa’s ten commercial service airports.
* $55,000 to the Department of Transportation for an Automated Weather Observation System at the City of Harlan Airport.

**Other 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.
* Allows lands purchased or received for fairground purposes to be taken in the name of a county fair society and requires the fairgrounds to be placed under the control and management of a county fair society.



* Creates the Blufflands Protection and Revolving Program and the Blufflands Protection Revolving Fund to provide loans 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.
* Allows the Department of General Services to use funds appropriated for improvements at the Eldora Training School for utility improvements at the School.
* 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.

**More Information** Senate File 2381 has not yet been signed by the Governor. Additional information is available from the Legislative Fiscal Bureau upon request.

STAFF CONTACT: David Reynolds (Ext. 16934)

Oversight and Communications Appropriations Subcommittee Bill - SF 2418



**Oversight/Comm. - SF 2418** The General Assembly passed SF 2418, the Oversight and Communications Appropriations Bill, on April 22. The Bill appropriates $23.6 million from the General Fund and 267.0 FTE positions for FY 1999. This is an increase of $1.0 million (4.6%) and 17.0 (6.8%) FTE positions compared to estimated FY 1998. This is a decrease of $292,000 (1.3%) and an increase of 4.0 (1.6%) positions compared to the Governor’s FY 1999 recommendation. Significant changes compared to estimated FY 1998 are outlined below.

**Treasurer of State** Treasurer of State - An increase of $267,000 for payment of debt service on Parts I and II of the Iowa Communications Network (ICN) due to a one-time reduction in FY 1998.

**ITTC** Iowa Telecommunications and Technology Commission (ITTC)

* An increase of $725,000 for subsidization of operations of the ICN. This was appropriated to the Department of Education in FY 1998.



* A new appropriation of $35,000 to the ITTC to transfer two staff from Iowa Public Television to the ITTC.
* An increase in the FY 1999 Rebuild Iowa Infrastructure Fund (RIIF) appropriation by $1.2 million to the ITTC for Part III of the ICN build out made in the 1997 Oversight and Communications Appropriations Act, bringing the total RIIF appropriation to $18.9 million.
* The ITTC received an FY 1998 supplemental General Fund appropriation in HF 2395 (FY 1998 Supplemental Appropriations Bill) of $720,000 for video subsidization, which is not included in the above comparison.

**Legislative Council** Legislative Council - Appropriates $75,000 to the Legislative Council to be used by the Legislative Oversight Committee to hire a consultant to study options related to the ICN after completion of the build out of Part III.



**IPTV** Iowa Public Television (IPTV) - An increase in the General Fund appropriation to IPTV by $113,000 due to the increased number of Part III sites coming on line and needing support.

**General Services** Department of General Services - A decrease of $192,000 for the Information Technology Services Division due to savings generated through better allocation of staffing.

**Statutory Changes** Significant changes to the Code of Iowa include:



* Reversion Technology Initiatives Account - Provides for the funding and expenditure of resources from a Reversion Technology Initiatives Account, for the purpose of supporting various technology programs. Notwithstands Sections 8.33 and 8.62, Code of Iowa, to provide that 75.0% of the funds that would otherwise have reverted to the General Fund from operating accounts and 100.0% of funds that would otherwise have reverted from a non-operational account are appropriated to the Reversions Technology Initiatives Account. The Bill specifies the projects that shall be funded if sufficient funds are available in the descending order that the projects are to be funded.
* Establishes IowAccess
* Creates the IowAccess Advisory Council and specifies its powers and duties.
* Specifies the powers and responsibilities vested in individual government agencies related to custodianship of public records.
* Specifies that the Division of Information Technology Services of the Department of General Serices shall collect moneys paid to the government electronically through the IowAccess system.
* Requires, at a minimum, an annual audit of the electronic transmission system by which government records are transmitted electronically to the public.
* Authorizes credit cards as an approved means of payment for use of the IowAccess system.
* Specifies the source of funding.
* Limits the amount of funding for FY 1999 to $400,000 of the receipts collected by the Department of Transportation for the sale of certified driver records. These funds would otherwise be deposited into the General Fund.
* Specifies that for FY 2000 and beyond, the DGS shall request an appropriation for IowAccess through the regular budgeting process.

**Intent Language** Intent Language - Specifies that 1.0 FTE position authorized for the Information Technology Services Division of the Department of General Services and 15.0 FTE positions authorized for ITTC in FY 1999 relate to the transition from personnel services contractors to adding FTE positions. Also specifies that the merit system and collective bargaining agreements do not apply to these positions until September 1, 1998.

**More Information** Senate File 2418 has not yet been signed by the Governor. Additional information is available from the Legislative Fiscal Bureau upon request.

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

FY 1998 Supplemental Bill - HF 2395



**FY 1998 Suppl. - HF 2395** The General Assembly passed the FY 1998 Supplemental Bill, HF 2395, on April 22. The Bill provides supplemental appropriations totaling $1.3 million from the General Fund and $6.6 million from Other Funds, including $519,000 from the Lottery Fund. The Bill increases a standing appropriation by $190,000 beginning in FY 1999 and changes an appropriation for FY 1999 from the General Fund to Other Funds. The appropriations are outlined below:

**General Fund Supplemental** FY 1998 supplemental appropriations from the General Fund:

* Provides $60,000 to the Department of General Services for utility costs exceeding estimates due to weather conditions.
* Provides $720,000 to the Department of Education for subsidization of video rates.
* Provides $150,000 to the Public Broadcasting Division of the Department of Education for a study of the digital television conversion.
* Provides $350,000 to the Department of Natural Resources for the sick leave payout due to the retirement of personnel in the Parks and Preserves Division.

**Other Fund Appropriations** FY 1998 supplemental appropriations from Other Funds:

* Provides $2.2 million from the Rebuild Iowa Infrastructure Fund to the Department of Corrections for the construction of buildings to provide work space for prisoners.



* Provides $245,000 from the State Fish and Game Protection Fund to the Department of Natural Resources for the sick leave payout due to the retirement of personnel in the Fish and Wildlife Division.
* Provides $1.7 million from the Rebuild Iowa Infrastructure Fund to the Judicial Department for the design and development of a new judicial building.
* Provides an increase of $2.0 million for the maximum deposit to the Enhanced Court Collections Fund for FY 1998.

**FY 1998 Lottery Fund** FY 1998 Lottery Fund supplemental appropriations from FY 1995 Lottery funds. The FY 1995 Lottery funds are available due to item-vetoes of Lottery Fund appropriations in that year. The funded programs include:

* $125,000 to the Information Technology Services Division of the Department of General Services for development, start-up, and first year operational costs for a single contact repository for health care facilities to perform background checks for purposes of employment.
* $125,000 to the Department of Human Services for a grant to a county with a population between 168,000 and 175,000 for implementation of the county’s runaway assessment and treatment plan. Requires the grant to be administered by the county‘s board of supervisors in consultation with the local runaway and treatment task force.
* $125,000 to the Department of Personnel for support of 2.0 FTE positions in the Program Administration and Development Unit for the Deferred Compensation Program.
* $109,000 to the Department of Agriculture and Land Stewardship for the State-federal laboratory for operation and testing.

**Child Development** The Bill increases the General Fund standing limited appropriation to the Department of Education by $190,000 beginning in FY 1999 for child development. The Bill also changes the FY 1999 General Fund appropriation of $90,000 for a building inspector position in the Department of Inspections and Appeals to a transfer of $90,000 from the FY 1995 Lottery Fund appropriation to the Department of Commerce for the Community Health Management Information System (CHMIS).

**Statutory Language** Statutory language and other changes to the Code of Iowa include:

* Section 215.2(6 and 7), 1997 Iowa Acts, is amended to revise the specifications of the amount the Department of General Services may spend on repairing parking lots.
* Amends Section 215.11, 1997 Iowa Acts, to require unencumbered or unobligated funds which were appropriated from Marine Fuel Tax receipts to the Department of Natural Resources for FY 1998 and remain on June 30, 1999, to revert to the General Fund on August 31, 1999.
* Requires transfer of FY 1999 Lottery profits to the General Fund instead of the Committing the Lottery to the Environment, Agriculture, and Natural Resources (CLEAN) Fund.
* Specifies Section 69.2(7), Code of Iowa, is amended to consider an elected county office not vacant if the officer is on temporary active military duty or other temporary government service
* Specifies Section 135C.33, Code Supplement 1997, is amended to require the Department of Inspections and Appeals, in conjunction with other State agencies, establish a single contact repository for licensed facilities to have electronic access to data to perform background checks for purposes of employment.
* Specifies Section 260A.1(2), Code Supplement 1997, is amended to require the moneys appropriated in Subsection 1 to be allocated by the Department of Education to each community college on the basis of each community college’s share of overall community college student enrollment. Requires the overall enrollment and each community college district’s share be determined utilizing refined enrollment reporting methods approved by the Department of Education using data from the most recently concluded fiscal year. Requires the Department of Education determine enrollment share percentages for each community college district for allocation purposes.
* Specifies Section 692A.13, Code of Iowa, is amended to require the Department of Inspections and Appeals to provide information for purposes of the single contact repository in accordance with rules adopted by the Department.

**Corrective Changes** The Bill also makes corrective and other changes to legislation passed by the 1998 General Assembly. Those Bills include:

* HF 2435 - Entrepreneurs With Disabilities Program Changes
* HF 2275 - Criminal Record Checks
* SF 2082 - Anhydrous Ammonia
* SF 2081 - Implements of Husbandry
* HF 2496 - Public Retirement Systems
* HF 2530 - Tax Law Cleanup
* SF 518 - Department of General Services Bidding Practices
* HF 2290 - Regulation of Deer Population
* SF 187 - Hunting Licenses
* SF 2406 - Iowa Empowerment Board
* SF 2410 - Department of Human Services Appropriations
* HF 2517 - Healthy and Well Kids in Iowa (HAWK-I) Program
* HF 2162 - Non-substantive Code Editor’s Bill

**More Information** House File 2395 has not yet been signed by the Governor. Additional information is available from the Legislative Fiscal Bureau upon request.

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

FY 1999 Salary Bill - HF 2553

**Salary Bill - HF 2553** House File 2553, the FY 1999 Salary Bill, passed the General Assembly on April 13. Major elements of the Bill include:



* Provides a 3.0% salary increase for justices, judges, and a 7.0% increase for magistrates for FY 1999. Increases are effective June 26, 1998.
* Provides a 3.0% increase for the salary ranges of appointed officials for FY 1999, effective June 26, 1998.
* Provides a 3.0% across-the-board increase for the Chairperson and two public members of the Public Employment Relations Board (PERB) in FY 1998, effective June 26, 1998.
* Appropriates $44.1 million from the General Fund in FY 1999 for the negotiated bargaining agreements for contract-covered employees and noncontract employees.
* Provides a 3.0% across-the-board increase and merit step increases for noncontract employees of the State, excluding the Board of Regents, effective June 26, 1998.
* Provides for increases provided to the noncontract employees under the Board of Regents. Faculty and professional and scientific employees will receive a 4.0% across-the-board increase on July 1, 1998.



* Appropriates Road Use Tax Fund (RUTF) and Primary Road Fund (PRF) moneys to pay for the salary increase for employees supported from these Funds.
* Appropriates $1.4 million from the General Fund in FY 1999 for salary annualization costs.
* Requires the General Fund appropriation be used to pay for salary increases supported by General Fund appropriations, except for employees of the Board of Regents who shall not receive salary funding on general university federal funds or indirect cost reimbursements.
* Provides authorization for expenditure of health insurance premium operating or terminal reserve liability funds for the purpose of reducing health insurance premium costs.
* Specifies that sworn peace officers in the Department of Public Safety not covered by a collective bargaining agreement receive the same per diem meal allowance as covered sworn peace officers.
* Funds the position of a salary model administrator/coordinator within the Department of Management.

**More Information** House File 2553 has not yet been signed by the Governor. Additional information is available from the Legislative Fiscal Bureau upon request.

STAFF CONTACT: Glen Dickinson (Ext. 14616)

Oil Overcharge Bill - HF 2210



**Oil Overcharge - HF 2210** The General Assembly passed HF 2210, the Oil Overcharge Appropriations Bill, on March 23. 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.



**Governor Signed** The Governor signed HF 2210 on March 31. Additional information is available from the LFB upon request.

STAFF CONTACT: Deb Kozel (Ext. 16767)

BLOCK GRANTS AND FEDERAL FUNDS BILL - HF 2218



**Fed. Block Grants - HF 2218** The General Assembly passed HF 2218, the Federal Block Grants Bill, on March 16. The Bill appropriates $136.7 million of federal block grant funds, a decrease of $984,000 (0.7%) compared to SF 240 (1997 Federal Block Grants Act). 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 Development Block Grant.

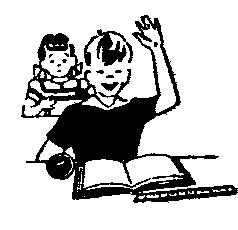
**Other Provisions** House File 2218 also provides the mechanism for State agencies to receive $2.204 billion in federal and nonstate funds based upon the purposes set forth in the grants, receipts, or conditions accompanying the funds, unless otherwise provided by law.



**Governor Signed** The Governor signed HF 2218 on March 23. Additional information is available from the LFB upon request.

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

Education Reform Appropriations Bill - SF 2366 and HF 2533



**Education Reform - SF 2366** The General Assembly passed SF 2366 as amended by S-5400, Education Reform Bill, on April 17. The amendment (S-5400) strikes everything after the enacting clause. The General Assembly also passed HF 2533, Education Appropriations Bill, which has sections that amend SF 2366. The Bill appropriates $19.7 million of new General Fund appropriations and a new $4.0 million contingent General Fund appropriation in FY 1999. House File 2533 repeals $220,000 of the General Fund appropriation. Highlights of the final action on SF 2366 are included below. The italicized items below are the amendments from HF 2533.

**Education Reform Appropriations**



**Frontier Schools** The Bill establishes frontier schools and:



* Appropriates $1.5 million from the General Fund for FY 1999 for frontier school or extended-year school grants.
* Requires $300,000 of the appropriation to provide $50,000 grants to six school districts for extended-year school pilot projects. Also requires the Department of Education to spend up to $75,000 to conduct a study of the effectiveness of extended school years on student achievement.
* *House File 2533 repeals the requirement that $300,000 of the appropriation provide $50,000 grants to six school districts for extended-year school pilot projects and the Department of Education to spend up to $75,000 to conduct a study of the effectiveness of extended school years on student achievement.*
* Specifies that a frontier school is a public school. Also states the focus of the frontier school is to provide a comprehensive program of instruction for at least one grade or age group from five through eighteen years of age. Allows frontier schools to have significant autonomy. However, frontier schools are required to be accountable for significant results.
* Exempts a frontier school from all statutes and rules applicable, including collective bargaining, except for certain provisions. Allows the Department of Education, Auditor of State, or the Legislative Fiscal Bureau to conduct financial, program, or compliance audits.
* *House File 2533 adds language which prohibits Frontier School or Extended School Year Grants from exceeding $25,000. Also prohibits funding from being used for technical assistance in FY 1999.*
* *House File 2533 eliminates language that a Frontier School must organize as a nonprofit cooperative association or nonprofit corporation.*

**Mathematics Pilot Program** *House File 2533 establishes a two-year mathematics pilot program which is to be administered by the Math and Science Coalition. The Bill also allocates $75,000 from the Educational Excellence standing appropriation in FY 1999 and FY 2000 for the Mathematics Pilot Program.*

**Para-Educator Licensing** The Bill establishes a para-educator licensing system and:

* Appropriates $75,000 from the General Fund for FY 1999 to the Board of Educational Examiners to develop and implement a multi-level voluntary para-educator licensing system.
* 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.

**Empowerment Fund** The Bill appropriates $5.2 million from the General Fund for FY 1999 for the Iowa Empowerment Fund, if the creation of the Iowa Empowerment Board and Iowa Empowerment Fund is enacted.



**Natl. Board Cert. Award** A National Board Certification award is established and the Bill:.

* Appropriates $250,000 from the General Fund for FY 1999 for the National Board for Professional Teaching Standards Certification Fund.
* Specifies a teacher is eligible for a partial registration award in the amount of one-half of the registration fee and a final registration award for the remaining registration fee upon notification of certification achievement. A teacher is also eligible for a $10,000 five-year annual award for achieving certification.
* *HF 2533 adds intent language that specifies that not more than $1.0 million from the General Fund will be appropriated for the National Board Certification Awards during the lifetime of this Program*.

**Teacher Induction Prg.** The Bill establishes a Beginning Teacher Induction Program and:



* Appropriates $240,000 from the General Fund for FY 1999 for beginning teacher induction program grants.
* Specifies it is the intent of the General Assembly that the appropriation provide support to a minimum of 133 teams of mentors and beginning teachers.
* Specifies a mentor is eligible for an award of $500 per semester.

**Practitioner Perf. Improv.** A Practitioner Performance Improvement Program is established. The Bill:



* Appropriates $300,000 from the General Fund for FY 1999 for the Practitioner Performance Improvement Program.
* 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, the Professional Educators of Iowa, and other entities.
* *House File 2533 adds language to the Practitioner Performance Improvement Program which prohibits the Program from providing consultation or assistance on specific employment situations.*

**Leadership Pilot Program** The Bill establishes an Instructional Leadership Pilot Program and:



Leadership

* Appropriates $1.0 million from the General Fund for FY 1999 for the establishment and implementation of an Instructional Leadership Pilot Program.
* Requires the Department of Education to develop and distribute to school districts a weighting system for criteria evaluation in making awards to practitioners that ranks the criteria in a specified priority. Allows a school district to provide additional weighted criteria.
* Requires an individual to submit a specified form that must be completed by the practitioner, one colleague, one administrator, and three parents and forward the form to the local school district coordinator.
* Repeals the Instructional Leadership Pilot Program on July 1, 2003.
* *House File 2533 adds language to the Instructional Leadership Pilot Program which requires the Department of Education to submit a ranked list of nominees which the school district board must review and approve. Also requires the school district board to determine the number of awards and the amount of the awards.*

**Practitioner Preparation** Changes the practitioner preparation so institutions must demonstrate that each student successfully completed a specific list of criteria. Also adds to the criteria, preparation of at-risk students, and learning techniques, including reading instruction in phonics.

**Teacher Internship Prg.** The Bill establishes a Teacher Internship Pilot Program and:

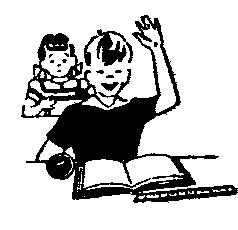
* Requires the Department of Education to establish and implement a competitive pilot program open to Iowa colleges and universities with Masters Programs in practitioner preparation by November 1, 1998.
* Requires the institution to submit to the Department of Education a plan for an internship program, which must include specific items.
* Requires student interns to receive graduate credit. Also requires the one-year internship to be recognized as the equivalent of one year of teaching experience.



* Requires a teacher who acts as a clinical supervisor be eligible for a stipend of $1,000 per semester.
* Creates a new General Fund standing appropriation of $220,000 in FY 1999 and $575,000 in FY 2000 and FY 2001 for the teacher internship pilot program.
* *House File 2533 repeals the Teacher Internship Program and the General Fund standing appropriations.*

**Early Education Improv.** An Early Education Improvement Program is established. The Bill:

* Creates a new General Fund standing appropriation of $9.0 million for the Early Education Improvement Program.



* Distributes the funding to school districts on a per pupil basis, but a school district will not receive less than $7,500.
* Requires school districts to provide assurance that the districts have developed, or are developing, an early childhood education plan, and that the funding will be used in accordance with the plan before receiving funding.
* Repeals the Early Childhood Education Improvement Program on July 1, 2001, except for the reporting requirements, which are repealed January 1, 2002.

**On-time Funding** The Bill provides on-time funding for new students and:



* Allows school districts to submit a request to the School Budget Review Committee for on-time funding, if the district’s actual enrollment exceeds its budget enrollment.
* Requires the School Budget Review Committee to consider the relative increase in enrollment on a district-by-district basis in determining whether to approve the request.
* Requires the on-time funding to be one-third of the State cost per pupil times the new pupils, if the request is approved.
* Allows a school district to request additional property taxes, if need exists for additional funds for on-time funding.
* Creates a new General Fund standing appropriation beginning in FY 2000 for $4.0 million for on-time funding.
* Creates a new contingent General Fund appropriation in FY 1999 for up to $4.0 million for on-time funding. The appropriation is contingent upon actual property tax valuation being higher than estimated for calculations of the school aid formula.
* This Section is repealed on July 1, 2001.



**Budget Guarantee** The Bill establishes a 100.0% and 101.0% Budget Guarantee for FY 2000 and:

* Extends the 100.0% regular program budget guarantee to FY 2000. Using projected FY 2000 enrollment, the budget guarantee is estimated to impact 84 school districts at a cost of $6.2 million in FY 2000. The 100.0% regular program budget guarantee is all property taxes.
* Adds a 101.0% regular program budget guarantee for FY 2000. The difference between the 101.0% budget guarantee and the 100.0% budget guarantee is paid by State aid. Using projected FY 2000 enrollment, the 101.0% guarantee is estimated to impact 119 school districts at a cost of $2.4 million in FY 2000.

**Instructional Support** The Bill increases the Instructional Support General Fund appropriation by $2.0 million in FY 2000. The Instructional Support appropriation was frozen at the FY 1993 funding level, causing a $12.2 million shortfall in State aid in FY 1998.

**Other Changes** The Bill:

* Requires a teacher to bring any challenge to an evaluation to only the termination hearing before the school board, if the challenge is brought after a termination notice.
* *House File 2533 eliminates the teacher evaluation language and adds new teacher evaluation language.*
* Changes the probationary period for a teacher from two to three years.
* *House File 2533 adds language which prohibits a teacher in the first two years of the probationary period to use certain grievance procedures.*
* Allows school boards to extend retirement incentives to employees between age 55 and 59. Also allows school boards to include the total estimated accumulated cost of retirement incentives in the Management Levy. This will save an estimated $5.1 million to school districts’ General Fund budget and increase the Management Levy (property taxes) up to $5.1 million.
* Requires a school board to include in the district’s student achievement goals a goal of addressing the educational inequities among Iowa’s minority students and develop plans for improving minority student academic performance.
* Increases the minimum teacher salary.
* Increases the minimum teacher salary from $18,000 to $23,000.
* Increases the educational excellence standing appropriation by $1.9 million for Phase I (minimum teacher salaries). In addition, $490,000 of excess Phase I funds will be used to fund the increase in the minimum salary for a total cost of $2.4 million.

**More Information** Senate File 2366 has not yet been signed by the Governor. Additional information is available from the Legislative Fiscal Bureau upon request.

STAFF CONTACT: Jon Studer (Ext. 17799)

Mental Health Allowed Growth Allocations Bill - HF 2545



**Allowed Growth - HF 2545**  The General Assembly passed HF 2545, Mental Health Allowed Growth Allocations Bill, on April 16. The Bill provides for allocations of $18.1 million of mental health allowed growth funding for FY 2000, as appropriated in the Human Services Appropriations Bill, SF 2410. In addition to prohibiting transfers between county mental health, mental retardation, and developmental disabilities services funds and any other fund, HF 2545 makes the following allocations for distribution to counties:

* $12.0 million for distribution to counties based on the following formula:
* 75.0% based on each county’s proportion of the State’s general population, and



* 25.0% based on each county’s previous fiscal year expenditures for county mental health, mental retardation, and developmental disabilities services. This includes expenditures from county funds, property tax relief distribution, and allowed growth allocations.
* $2.1 million for a per capita expenditure target pool. Counties with maximum mental health levies and below the 75th percentile of per capita expenditures in the State are eligible for participation in the per capita expenditure target pool.
* $2.0 million for an incentive and efficiency pool.
* $2.0 million for a risk pool. The risk pool would provide funding to a county with unanticipated costs in excess of the county’s current fiscal year mental health budget, through either a grant or loan process based on the county’s mental health levy level.

**Performance Measures** The Bill also requires the State County Management Committee to recommend performance measures to establish a comparison baseline for counties eligible to receive distributions from the incentive and efficiency pool. This provision and the prohibition of transfers are effective upon enactment. The remaining provisions of HF 2545 are effective July 1, 1999.

**More Information** House File 2545 has not yet been signed by the Governor. Additional information is available from the Legislative Fiscal Bureau upon request.

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

Agrifutures Bill - SF 2415



**Agrifutures Bill - SF 2415** The General Assembly passed SF 2415, the Agrifutures Bill, on April 22. The Bill appropriates $25.0 million in Use Tax receipts to the Department of Economic Development (DED) to be used for a new program designed to add value to Iowa’s agricultural products. The DED will loan the money to a qualified private corporation or corporations, with principal-only repayment due over a 30-year period. The private corporation(s) must use the funds to assist in financing qualified agribusinesses in Iowa.

**Governor’s Recomm.** The Use Tax receipts dedicated to the new Program were previously dedicated to the Underground Storage Tank (UST) Program. Current estimates indicate the UST Program has excess revenue. The Governor recommended a similar $25.0 million program.

**More Information** The Bill now awaits the Governor’s consideration. For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Waste Tires - HF 2546



**Waste Tires - HF 2546** The General Assembly passed HF 2546, Waste Tires, on April 20. The intent of the Bill is to reduce the number of waste tires in the State of Iowa over the next five years. The Bill amends the language in the Code of Iowa with regard to the Waste Tire Management Program. Changes include:

* Expands the categories of financial assurance instruments held by a waste tire processor and specifies the amount of the financial assurance instrument.
* Requires waste tire processing or collection sites to have financial assurance instruments equivalent to $0.35 per tire collected prior to July 1, 1998. For tires collected on or after July 1, 1998, the site is required to have financial assurance instruments equivalent to $0.85 per tire. The equivalent requirement will take effect on July 1, 1999.
* Allows the Department of Natural Resources to request an annual audit from waste tire collection sites or waste tire processing sites to ensure the required type of financial assurance instruments are in place. The audit will be conducted by a third party.
* Encourages the State Board of Regents to consume tire-derived fuels by providing financial incentives to cover any additional expense incurred up to $100,000 per fiscal year.
* Changes financial incentives to qualified processors of waste tires to qualified end users of more than 250,000 waste tires per year. The maximum award is $150,000 per fiscal year. Awards will be funded from the Tire Grants to Counties Account in the Waste Tire Fund.
* Transfers $200,000 from the Landfill Alternatives Financial Assistance Program to Iowa State University in FY 1999. The funds will be used to purchase equipment needed to utilize tire-derived fuels.

**More Information** The Bill now awaits the Governor’s consideration. For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Expenditure Limitation and Three-Fifths Majority Constitutional Amendments - SJR 2004



**Const. Amend. - SJR 2004** On April 22, the General Assembly passed SJR 2004, which contains two proposed constitutional amendments. The first amendment includes many of the provisions of the current expenditure limitation law. The major provisions include:

* Spending is limited to 99.0% of revenues.
* Only 95.0% of any new revenue source implemented in a fiscal year is available for expenditure.
* The Governor and General Assembly are required to use the most recent revenue estimate prior to January 1 in budget preparation and the budget process.
* Creates a 10.0% surplus requirement. Expenditures from the 10.0% pool of funds requires a three-fifths majority vote.

**Second Amendment** The second proposed constitutional amendment would require:

* A three-fifths majority to increase personal income taxes, corporate income taxes, sales taxes, or use taxes.
* A three-fifths majority to enact a new State tax.

**Future Action** Both proposed constitutional amendments would need to be passed in identical forms by either the first or second session of the 78th General Assembly.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Omnibus Tax Package - HF 2513



**Tax Package - HF 2513** On April 15, the General Assembly passed HF 2513, the Omnibus Tax Package. The Bill now awaits the Governor’s consideration. Major provisions of the Bill include:

* Eliminates the 45.0% limit on specified capital gains up to $17,500 contained in current law and makes all qualified capital gains excludable from income. The Bill also provides that if a business is sold to a lineal descendant, the business owner does not have to meet material participation requirements to receive the capital gains exclusion. This Section of the Bill is expected to result in a General Fund revenue loss of $18.0 million in FY 1999 and beyond.
* Raises the pension income exclusion from $3,000 and $6,000 (single / joint filers) to $5,000 and $10,000. Changes the current method of allocating pension income among married separate filers. Formerly, married separate filers were required to report their pension income independently. The Bill permits an allocation of pension income between the filers on their proportionate share of pension income to overall income. The effect of this provision is to expand the amount of exclusion available to taxpayers in the case when one spouse has nearly all of the pension income to the maximum $10,000 exclusion. This Section of the Bill is expected to result in a General Fund revenue loss of $20.0 million in FY 1999 and $18.0 million in FY 2000 and beyond.

Pensions



* Raises the personal exemption credit from $20 to $40 for single and married separate filers and $40 to $80 for married joint and head of household filers. This Section of the Bill is expected to result in a General Fund revenue loss of $28.8 million in FY 1999 and $26.2 million in FY 2000.
* 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. The definition of allowable fees is expanded to include extracurricular and drivers’ education fees. This Section of the Bill is expected to result in a General Fund revenue loss of $3.8 million in FY 1999 and beyond.
* Provides a sales tax exemption on purchases by privately owned nonprofit hospitals. All hospitals except one in the State are nonprofit. The exemption applies to all purchases except for construction materials. This Section of the Bill is expected to result in a General Fund revenue loss of $15.0 million in FY 1999 and beyond.
* Increases the income eligibility requirements for the elderly and disabled, rent reimbursement, low-income, and mobile home tax credits. The income eligibility requirements are indexed for inflation in future years, which replaces the fixed income amounts formerly in the Code of Iowa. This Section of the Bill is expected to result in a General Fund expenditure increase of $1.9 million in FY 2000 and $330,000 in FY 2001 and beyond.
* All provisions of the Bill are effective January 1, 1998, except for the increase in the elderly and disabled tax credit, which is effective for claims filed after January 1, 1999.

**More Information** For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Internal Revenue Code (IRC) Update Bill - SF 2357

**IRC Update - SF 2357** On March 30, the General Assembly passed SF 2357, the Internal Revenue Code (IRC) Update Bill.

**References Updated** The Bill updates the references to the Internal Revenue Code (IRC) to make the federal income tax revisions enacted by Congress in 1997 applicable for Iowa income tax purposes.



**Bill Provisions** Ten provisions enacted by the federal government that have been identified as likely to affect State revenues.

* **Student loan interest deduction** - permits a deduction from income for student loan interest paid.
* **Penalty-free Individual Retirement Account (IRA) withdrawals** - permits withdrawals from an IRA for educational purposes without imposing a penalty
* **Education IRA** - permits the contribution of up to $500 per child to an education IRA. Contributions are after-tax, but distributions are tax-exempt.



* **Other education provisions** - these include the extension of the exclusion for employer-provided educational assistance. Expenses paid by an employer for courses beginning before June 1, 2000, are excludable from the employee’s income. Also included is the expansion of the forgiveness of loan income exclusion which was expanded to include student loans sponsored by tax-exempt charitable organizations.
* **Increased IRA income limits** - raises the income limits on pre-tax contributions to an IRA. The new income limits for full exemption are $30,000 for single filers and $50,000 for joint filers, increased by $5,000 and $10,000, respectively.
* **Capital gains** - the effect is primarily due to the federal change in the treatment of the sale of a principal residence. Under federal law, up to a $250,000 gain from the sale of principal residence is excludable from income if the individual owned and occupied the residence for at least two years prior to the sale.
* **Small corporation Alternative Minimum Tax (AMT) exemption** - specifies that a corporation that meets certain gross receipts tests is considered to be a “small corporation” and, as a result, will not be liable for the AMT tax as long as it remains a small corporation. Once recognized as a small corporation, it is exempt from AMT so long as its average annual gross receipts do not exceed $7.5 million.
* **Conform AMT depreciation to federal definition** - the AMT adjustment is eliminated for property depreciated under the straight line method and recovery periods are conformed for other property.
* **Farm installment sales** - under prior law, cash-basis farmers could not use the installment method for sales of property for computing AMT. Federal law was changed to permit use of the installment method.
* **Safe harbor provision** - reduces the amount of the preceding year’s tax which must be paid to avoid a penalty from 110.0% to 105.0%.

**Fiscal Impact** The Bill is expected to result in a decrease in General Fund revenue of approximately $2.8 million in FY 1998, $11.7 million in FY 1999, and $7.0 million in FY 2000.



**Governor Signed** The Bill was signed by the Governor on April 13.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Pre-Tax Public Pensions - hf 2153

**Public Pensions - HF 2153** On April 14, the General Assembly passed HF 2153, Pre-Tax Public Pensions. The Bill now awaits the Governor’s consideration.

Pensions



**Pre-Tax Status** The Bill provides beginning January 1, 1999, all member contributions under the Public Safety Peace Officers’ Retirement, Accident, and Disability System (POR), the Iowa Public Employees’ Retirement System (IPERS) and the Statewide Fire and Police Retirement System (MFPRSI) are considered employer contributions rather than part of the employee’s salary for State income tax purposes. Current law provides that these contributions for these systems are considered employer contributions for federal income tax purposes only. The provision would also apply to certain teacher and pension annuity plans.



**Fiscal Impact** The Bill is expected to result in a decrease in revenues to the General fund of approximately $4.4 million in FY 1999 and $8.8 million in FY 2000 and subsequent years. Since the tax reduction is in the form of a deferral, a significant portion of this cost would be recouped upon the retirement of the affected employees.

**More Information** For more information, please contact the Fiscal Bureau.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Educational Savings Plan Trust- HF 2119

**Ed. Savings Plan - HF 2119** On April 9, the General Assembly passed HF 2119, Educational Savings Plan Trust. The Bill now awaits the Governor’s consideration.



**Savings Plan Trust** The Bill establishes the Iowa Educational Savings Plan Trust. Individuals would be allowed to contribute up to $2,000 annually on behalf of a beneficiary who would be able to utilize the funds to pay for certain college expenses. The contributions would be an adjustment to income, such that all Iowa taxpayers would be able to deduct the contributions from Iowa taxable income. The interest earned on the contributions would accrue tax free for State income tax purposes. Although plan participants would not be able to deduct the contributions from federal taxable income, the interest earned would not be taxed until it was withdrawn from the account. When the income is taxed, it will be taxed by the federal government at the child’s tax rate rather than the parent’s.



**Fiscal Impact** The Bill is expected to result in a decrease in revenues to the General Fund of approximately $1.4 million in FY 1999. In subsequent fiscal years, this impact is expected to increase roughly at the rate of inflation. Additionally, the Bill permits up to $200,000 annually to be transferred from the Unclaimed Property Trust Fund to the Office of the Treasurer of State to reimburse administrative expenses. Because excess funds from the Unclaimed Property Trust Fund are deposited in the General Fund quarterly, the transfer of up to $200,000 will result in decreased receipts to the General Fund of the same amount. Therefore, the total impact of the Bill is a net decrease in revenues to the General Fund of $1.6 million.

**More Information** For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Machinery and EQuipment Sales Tax Exemption - SF 2288

**M & E Equipment - SF 2288** On March 23, the General Assembly passed SF 2288, Machinery and Equipment Sales Tax Exemption. Major provisions of the Bill include:



* The Bill amends the statute which exempts sales of certain industrial machinery, equipment, computers, fuel, and electricity from tax. It expands the exemption allowed to sales of fuel and electricity used in computers, machinery and equipment. The Bill further provides that sales of vehicles subject to registration are not exempt machinery or equipment unless the vehicles are directly and primarily used in recycling or reprocessing of waste products. Exempts from sales tax, machinery and equipment used in activities subsequent to extraction of material through mining or quarrying by adding that a business engaged in such an activity to the definition of “manufacturer.” The sections of the Bill relating to the definition of “manufacturer” and computer software maintenance or support contracts are effective July 1, 1998. All other provisions are retroactive to July 1, 1997.
* The only provisions of the Bill having a fiscal effect are those provisions related to computer maintenance or support service contracts and the quarrying or mining provisions. The quarrying provisions are expected to result in a loss in General Fund sales tax revenue of approximately $230,000 each year. This estimate is based upon approximately $4.5 million in annual purchases.
* The computer software maintenance or support service contracts are expected to result in a General Fund sales tax revenue loss of approximately $806,000 each year. This estimate is based upon approximately $32.2 million in annual contracts purchased each year. The Bill would base the tax liability on 50.0% of the gross receipts from such a contract when there is no separate fee for the nontaxable service portion.

**Governor Signed** The Governor signed the Bill on April 9. For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Larry Sigel (Ext. 14611)

New jobs and income program - insurance companies - HF 721

**Jobs/Income Prog. - HF 721** On April 1, the General Assembly passed HF 721, the New Jobs and Income Program for insurance companies. The Bill extends the corporate income tax benefits of the New Jobs and Income Program (NJIP) to insurance companies by allowing an investment tax credit that can be applied against insurance premium tax liability. Eligible insurance companies that newly locate or expand operations in Iowa could be granted a 10.0% investment tax credit, based on investment in computers or improvements to real property. Additionally, a business which has increased its base employment level by at least 10.0% is eligible for a New Jobs Insurance Premium Tax Credit.

**Fiscal Impact** The Bill is expected to result in a decrease in revenues to the General Fund of approximately $1.1 million each year from FY 1999 through FY 2002.



**Governor Signed** The Bill was signed by the Governor on April 13. For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Sales Tax Exemption for Rural Water Districts- SF 2365

**Rural Water - SF 2365** On April 16, the General Assembly passed SF 2365, Sales Tax Exemption for Rural Water Districts. The Bill awaits the Governor’s consideration.



**Sales Tax Exemption** The Bill exempts rural water districts organized under Chapter 504A, Code of Iowa, from the State sales tax for facilities constructed or acquired by a district. The Bill also exempts the sales tax paid by a water company organized under Chapter 428 on the electricity purchased for the sole purpose of pumping raw water from a river or well.

**Fiscal Impact** The fiscal effect is estimated at approximately $360,000 in FY 1999 and beyond from exempting rural water districts from the sales tax. The fiscal effect of exempting Chapter 428 water companies from the sales tax on electricity is expected to be approximately $15,000 in FY 1999 and beyond.

**More Information** For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Massage Therapist Sales Tax Exemption - HF 2550

**Massage Therapist - HF 2550** On April 16, the General Assembly passed HF 2550, Massage Therapist Sales Tax Exemption. The Bill awaits the Governor’s consideration. The Bill exempts services provided by licensed massage therapists from the State sales tax.

**Fiscal Impact** The Bill is expected to result in a decrease in revenues to the General Fund of approximately $510,000 in FY 1999 and each year thereafter. There may also be an additional impact for local governments that levy a local option sales tax.

**More Information** For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Aircraft Registration Fees and Sales Tax Exemption - HF 2560



**Aircraft - HF 2560** The General Assembly passed HF 2560, Aircraft Registration Fees and Sales Tax Exemption Bill on April 21. Major provisions of the Bill include:

* Changes the aircraft registration fee from 1.5% of the manufacturer’s list price to 1.0%, not to exceed $5,000. There are approximately 2,700 aircraft registered in Iowa. The registration changes will reduce fees on approximately 1,716 aircraft and will result in an estimated annual loss of $736,000 in revenue to the General Fund. The remaining 984 aircraft are currently registered at the minimum $35 rate and will not be affected by this law change.



* Provides a sales tax exemption on repair services and replacement parts for aircraft used in nonscheduled Federal Aviation Administration (FAA) certified air carrier operations. Current law already contains an exemption for scheduled FAA certified air carrier operations. The estimated reduction of General Fund revenues for providing the exemption for nonscheduled air carrier operations is $100,000 in FY 1999 and beyond.
* Provides a sales tax exemption on the gross receipts from the sale of an aircraft dealer who in turn rents or leases the aircraft if specific conditions are met. There is no fiscal impact from this provision because the exemption is already included in case law. This language simply clarifies current practice.

**More Information** The Bill now awaits the Governor’s consideration. For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: David Reynolds (Ext. 16934) Larry Sigel (Ext. 14611)

Enterprise Zone Housing Bill - HF 2538



**Enter. Zone Housing-HF 2538** The General Assembly passed HF 2538, the Enterprise Zone Housing Bill, on April 21. The Bill expands the enterprise zone projects qualified for special tax incentives to include housing developments. A business that builds or rehabilitates a minimum of four single-family homes or multiple dwelling units located in a designated enterprise zone shall be eligible for sales and use tax refunds and a ten percent new investment income tax credit. The Bill also allows a housing use for the New Jobs Credit From Withholding, which under current law can only be used for job training. The General Fund fiscal impact of the Bill is projected to be $1.1 million per year, starting in FY 1999.

**More Information** The Bill now awaits the Governor’s consideration. For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Food Establishment Regulation Bill - HF 2166

**Food Reg. Bill - HF 2166** The General Assembly passed HF 2166, the Food Establishment Regulation Bill, on April 15. The Bill provides for a revised license fee structure licensing food service establishments and vending machines. The Bill also amends the Code of Iowa to reflect the adoption of the federal 1997 model food code.

**Fiscal Impact** House File 2166 is expected to generate an increase in license fee revenue to the General Fund of $52,000 for FY 1999 and $105,000 for FY 2000 and each subsequent year.

**More Information** The Bill now awaits the Governor’s consideration. For more information, please contact the Legislative Fiscal Bureau.

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

Partnerships Bill - SF 2311

**Partnerships Bill - SF 2311** The General Assembly passed SF 2311, the Partnerships Bill, on April 14. The Bill rewrites Chapter 486, Code of Iowa, relating to partnerships including establishing filing requirements and other miscellaneous provisions. The estimated net fiscal effect to the General Fund is $41,000 in increased revenue in FY 1999 and $9,000 in FY 2000.

**More Information** The Bill now awaits the Governor’s consideration. For more information, please contact the Legislative Fiscal Bureau.

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

INSTALLMENT FEE BILL - SF 2384

**Installment Fee Bill - SF 2384** The General Assembly passed SF 2384, Installment Fee Bill, on April 17. The Bill requires a $35 installment fee be assessed by the Court when fines or Court costs are paid in installments under certain circumstances. Enactment of this Bill is contingent upon the enactment of the 1997 Iowa Acts, SF 2281.



**Fiscal Impact** Senate File 2384 will increase annual revenues by $153,000 starting in FY 1999. The Bill will increase expenditures by the Judicial Department by $121,000 in FY 1999 and annually thereafter. The Judicial Department expenditures are due to review procedures and compliance requirements in the Bill. The net effect to the General Fund would be an increase in annual revenue of $32,000.

**More Information** The Bill now awaits the Governor’s consideration. For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Darlene Kruse (Ext. 16301)

Solid Waste Tonnage Fees - SF 2413



**Solid Waste - SF 2413** The General Assembly passed SF 2413, the Solid Waste Tonnage Fees Bill, on April 20. The Bill makes changes to the collection of solid waste tonnage fees and amends the language in the Code of Iowa. Changes include:

* Expands the types of facilities required to pay solid waste tonnage fees to include transfer stations. Specifies that tonnage fees will be applied to solid waste one time only.
* Requires the adoption of rules for sanitary disposal projects where tonnage fees are imposed to install scales to calculate payment of the tonnage fees.
* Exempts payment of tonnage fees by disposal facilities that specialize in the disposal of coal combustion waste and construction and demolition waste.
* Exempts payment of solid waste tonnage fees on solid waste materials used for lining or capping, construction of berms, dikes, or roads in sanitary disposal projects. These materials must be approved by the Department of Natural Resources.
* Allows a sanitary landfill or transfer station with a comprehensive plan approved by the Department of Natural Resources to retain an additional $0.25 per ton of solid waste received in FY 1999 and every year thereafter. Beginning in FY 2000, any planning area which meets the statewide average of solid waste reduction as determined on July 1, 1999, and every year thereafter, can retain an additional $0.10 per ton per year.
* Specifies any additional amount retained by a sanitary landfill or transfer station will be used for waste reduction and recycling programs. Specifies that any additional amount retained will be taken from the portion of the tonnage fee that would have been allocated to Landfill Alternatives Funding.
* Specifies that persons not paying the required fees or submitting the required return will be assessed a penalty of two percent of the fee due for each month the fee or return is overdue. The penalty is paid in addition to the fee.
* Specifies the General Assembly continues to support the fifty percent waste reduction goal.

**More Information** The Bill now awaits the Governor’s consideration. For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Organ Procurement Organization Sales Tax Exemption - HF 2374

**Organ Procurement-HF 2374** On April 17, the General Assembly gave final approval to HF 2374, a Bill which exempts the sales made to, and services performed for organ procurement organizations from the State sales, services, and use taxes. The Bill specifies that the organ procurement organization must be nonprofit in nature to receive the sales tax exemption. The fiscal effect on sales tax revenue of HF 2374 is expected to be approximately $20,000 each year. The Bill now awaits the Governor’s consideration.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Agricultural Association Sales Tax Exemption- SF 2364



**Agric. Association - SF 2364** On April 1, the General Assembly gave final approval to SF 2364 which exempts from the sales tax a nonprofit organization which principally promotes a food or beverage product for human consumption produced, grown, or raised in Iowa and whose income is exempt from federal taxation. The Bill is effective upon enactment and provides for refunds not to exceed $25,000 for those sales which occur between July 1, 1988, and June 30, 1998. The annual loss of sales tax revenue is expected to be approximately $50,000. The Bill was signed by the Governor on April 14.

STAFF CONTACT: Larry Sigel (Ext. 14611)

Retirement Bill - HF 2496

**Retirement Bill - HF 2496** The Retirement Bill, HF 2496, passed the General Assembly on April 15. The Bill makes technical and substantive changes to the four State retirement systems. The major changes are outlined below:

**POR Public Safety Peace Officer’s Retirement, Accident, and Disability System (POR)**

Retirement



* POR members receive 1.5% additional credit to their average final compensation for each year of service beyond 22 years of service. The Bill changes the maximum years of additional credit from eight to ten years.
* POR members with 22 or more years of service have a choice of normal retirement when qualifying for accidental or ordinary disability. The Bill allows the retiree qualifying for disability retirement the choice after five years of service.
* The Bill modifies the earnings test for ordinary and accidental disability so that health insurance premiums are removed from income before applying the earnings test.
* **Cost:** The available margin before the above changes is 11.25% of covered payroll. The cost of these changes is 1.32% of covered payroll, reducing the available margin to 9.93%. No increases in contributions will be required to pay for the changes.

**IPERS Iowa Public Employees’ Retirement System (IPERS)**

* Members may retire at age 62 with 20 years of service without a reduction for age less than 65.
* Sheriffs, deputies, and airport fire fighters receive 1.0% additional credit to their average final compensation for each year of service beyond 22 years of service up to a maximum of five years. The Bill changes the credit to 1.5% and increases maximum years of additional credit to eight years.
* Sheriffs, deputies, airport fire fighters, and protection occupation members receive enhanced disability benefits, including the presumption that heart and lung disease result from the occupation. Retirees qualifying for disability retirement have the choice of normal retirement.
* A Favorable Experience Dividend Account is created and receives funds when earnings exceed the actuarial projection. These funds will pay dividends to retired members.
* Supplemental Accounts for active IPERS members are created. When IPERS no longer has an unfunded liability, the excess funds from the employer and employee contributions will be distributed to the members’ supplemental accounts as a percentage of salary. These funds will be paid to the employee under certain circumstances, death, or retirement.
* Members retired before July 1, 1986, will receive a 15.0% increase in monthly benefit allowances. Members retired between July 1, 1986, and July 1, 1990, will receive a 7.0% increase in monthly benefit allowances.
* Terminating vested members who leave employment and withdraw their contributions will receive a portion of the employer contributions plus interest.
* The cost of purchasing credit years of service with another public retirement system will be adjusted to the actuarial equivalent of both the employer and employee contributions for those years. This change is effective July 1, 1999.

Retirement



* The IPERS Division is required to study the establishment of a Benefits Advisory Board and make recommendations to the General Assembly by January 8, 1999.
* **Cost:**  The cost of changes to IPERS is measured by the number of years over which the costs are amortized. The current unfunded liability is amortized over 9 years. The actuary has indicated that the amortization period can be extended to 24 years without jeopardizing the Fund. The IPERS Administration recommends not exceeding 20 years. The changes in this Bill increase the amortization period to 19.7 years in FY 1999. The contribution rates for regular IPERS members will not change because of these enhancements.
* The costs of the enhancements for the special groups are paid by increased employer and employee contributions. Employers pay 60.0% of the increase, and employees pay 40.0%. The cost to counties for sheriffs and deputies is projected to be $984,000 annually. The cost for protection occupations for State agencies is projected to be $1.4 million, and the cost for non-State agencies is projected to be $537,000.

**MFPRSI/411’s Municipal Fire and Police Retirement System of Iowa (MFPRSI or 411’s)**

* Local police and fire fighters receive 0.6% credit for up to eight additional years of service beyond 22 years. The Bill increases the credit to 1.5% for each additional year of service.
* **Cost:** The available margin before the above change is 3.38% of covered payroll. The cost of this change is 3.07% of covered payroll, reducing the available margin to 0.31%. No increases in contributions will be required to pay for the changes.

**Judicial System Judicial Retirement System**

* The Bill allows associate juvenile judges and associate probate judges the option of becoming members of the Judicial Retirement System. They are now members of IPERS.
* The Bill increases the percentage of basic annual salary used to calculate a judge’s retirement from 50.0% to 52.0%, with the intent of increasing by 2.0% every two years up to 60.0%, if the actuarial evaluation permits.
* Judges who retired before July 1, 1977, or their surviving beneficiaries, will receive a minimum monthly annuity of $500.
* **Cost:** The available margin before the above change is 7.71% of covered payroll. The cost of this change is 1.13% of covered payroll, reducing the available margin to 6.58%. No increases in contributions will be required to pay for the changes.

**More Information** The Bill now awaits the Governor’s consideration. For more information, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561) Paige Piper/Bach (Ext. 14613)

Sexual Offender Bill - SF 2398

**Sexual Offender - SF 2398** Senate File 2398 provides for imposition of a life sentence for persons who commit repeat acts of sexual abuse against children age 12 and younger; establishes a hormonal treatment program for sex offenders released on probation, parole, or work release; and provides for civil commitment of violent sexual predators.



**Prison Pop. Impact** Since sex offenders are expected to receive life sentences, there will be minimal impact on the prison population. There is no estimate for the number of offenders who will receive the hormonal treatment, but there will be approximately 210 probationers and parolees eligible each year. The average weekly treatment cost is projected to be $72 per offender.

**Fiscal Impact** It is projected that 11 offenders annually will face civil commitment proceedings as violent sexual predators, and six will be committed. The cost of civilly committing violent sexual predators is projected to be $2.1 million in FY 1999 and $3.0 million in FY 2000.

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Final Action on Two Underground Storage Tank Bills - HF 2339 & HF 2490

**Storage Tank Bills** The Senate passed HF 2339, Underground Storage Tank Remedial Program Bill, and HF 2490, Underground Storage Tank Insurance Program Bill. Neither Bill was amended and they will now be sent to the Governor for his consideration.

**Remedial Program** House File 2339 increases benefits to current claimants by:



* Limiting the co-payment required to $14,400 per site. The fiscal impact is estimated to be $24.2 million.
* Extending full remedial benefits to sites reporting contamination between January 1, 1984, and May 5, 1989 (retroactive claims). The fiscal impact is projected to be $5.8 million.
* Establishing a $10.0 million No Further Action Fund to be available when the Department of Natural Resources issues a No Further Action letter on sites meeting defined cleanup standards. The Fund would be used in instances where further cleanup is later required. There is no fiscal impact of this provision because the State would likely be responsible for the cleanup under current law.

**Insurance Program** House File 2490 restructures the State’s Underground Insurance Program by allowing the present insured population to establish a mutual insurance company which would take over the State Insurance Program by FY 2004. The mutual insurance company would assume all assets and liabilities of the State Program. The fiscal impact is projected to be $27.0 million, which is the amount Program assets are estimated to exceed Program liabilities in FY 2004.



**Governor Signed** The Governor signed both Bills on April 9. For more information please contact the Fiscal Bureau.

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attachments

**Blue Pages Attached to this edition of the Fiscal Update are the following documents:**



* **Attachment 1** - State of Iowa General Fund Balance Sheet
* **Attachment 2** - Pie chart reflecting General Fund Appropriations for FY 1999
* **Attachment 3** - Graphical Depiction of the Flow of General Fund Revenues After Expenditure Limitation (barrels)
* **Attachment 4** - Table of information depicted in barrel diagram (Attachment 3)
* **Attachment 5** - Tracking document of General Fund Appropriations - Final Action FY 1999
* **Attachment 6** - Tracking document for the Rebuild Iowa Infrastructure Fund

**More Information** For more information, please contact the Legislative Fiscal Bureau. As always, we look forward to working with you during the interim months.

