FISCAL UPDATE May 24, 1999

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| **IN THIS ISSUE:** | Item Vetoes: SF 460 Admin./Reg., pg. 1 | Governor’s Conference on Aging, pg. 6 |
|  | Board of Regents Meeting, pg. 1 | Lottery Revenues & Expenditures – April, pg. 6 |
|  | College Student Aid Commission Mtg, pg. 3 | ICN Classrooms, pg. 8 |
|  | Board of Corrections Meeting, pg. 5 | Weekly Medical Assistance Expenditures, pg. 8 |
|  | National Swine Research Center at ISU, pg. 5 | Legislative Fiscal Committee, pg. 9 |

Governor Item Vetoes SF 460 - Administration and Regulation Appropriations Act



**Item Veto – SF 460** The Governor item vetoed and signed SF 460, the Administration and Regulation Appropriations Act, on May 6. The Act appropriates $88.8 million from the General Fund and 1,911.6 FTE positions, an increase of $665,000 (0.8%) and 15.4 (0.8%) FTE positions compared to estimated FY 1999. The Act also appropriates $21.5 million of other funds and a total FY 1999 supplemental General Fund appropriation of $305,000 and 0.3 FTE position. The Governor item vetoed the language requiring that all vacant and unfunded positions in agencies within the Administration and Regulation Appropriations Subcommittee be eliminated from each agency’s table of organization within 60 days after the vacancy occurs. The Governor indicated that the language would create a different standard for the agencies funded by the Administration and Regulation Appropriations Subcommittee than other State agencies. The Governor intends to make recommendations concerning this issue to the Legislature during FY 2000.

**Copies Available** Copies of the enacted version of SF 460 and the veto message are available upon request.

STAFF CONTACT: Shawn Snyder (Ext. 16765) Ron Robinson (Ext. 16256)

Board of Regents Meeting

**Board Meeting** The Board of Regents met at the Iowa School for the Deaf in Council Bluffs on May 19-20. Significant agenda items included:



**FY 1999 Budget Adjustments *Budget Ceiling Adjustments for FY 1999*** – The Board approved budget ceiling adjustments for four Regents institutions that have new revenues. The adjustments were as follows:

1. *University of Iowa (SUI)* - An increase of $3.9 million for general university and $2,000 for the Family Practice Program. The additional revenue consists of:
2. $2.5 million for indirect cost recoveries (federal administrative funds) associated with sponsored grants and contract activities.
3. $1.4 million of tuition and fee revenue as a result of enrollment exceeding projections.
4. $2,000 of other income for the Family Practice Program.

The University plans to expend the additional revenue for year 2000 computer compliance costs, research support, enrollment-related costs, and student aid. The additional revenue for the Family Practice Program will be used for increased outreach activities.



1. *Iowa State University (ISU)* – An increase of $900,000 for general university, $203,000 for the Ag Experiment Station, and $60,000 for the Extension Service. The additional revenue consists of:
2. $412,000 from increased tuition and fees.
3. $90,000 additional interest income.
4. $263,000 additional federal funds.
5. $300,000 from increased indirect cost reimbursements.
6. $33,000 from sales and services.
7. $65,000 of other income.

The University plans to expend the increased revenues on one-time equipment and building repairs, international recruitment, and technology upgrades.



1. *University of Northern Iowa (UNI) –* An increase of $900,000. The additional revenue consists of:
2. $700,000 from increased tuition and fees.
3. $200,000 additional interest income.

The University plans to expend the increased revenues on one-time building repairs, equipment, and student aid.

1. *Iowa School for the Deaf (ISD)* – An increase of $68,000. The additional revenue consists of:
2. $2,000 one-time distribution of real estate proceeds.
3. $4,000 increased Phase III allocation from the Department of Education.
4. $28,000 from interpreter services provided to local school districts.
5. $17,000 increased reimbursements from the federal school lunch program due to increased enrollments.
6. $12,000 lease revenue.
7. $5,000 additional interest income.

The additional revenues will be used to meet fire and safety requirements and on-going building repair and maintenance.

**FY 2000 Budgets *Preliminary FY 2000 Budgets*** – The Board approved preliminary FY 2000 budgets for each of the institutions. Final FY 2000 budgets will be presented for approval at the July meeting. Preliminary budgets for general operating funds by institution are as follows:

#### FY 2000

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**Salary Annualization** The preliminary budgets also included preliminary salary annualization and adjustment allocations totaling $27.9 million distributed as follows: SUI - $12.9 million; ISU - $10.5 million; UNI - $4.1 million; ISD - $240,000; and Iowa Braille and Sight Saving School (IBSSS) - $152,000.

**Salary Policies*****Proposed Salary Policies for Professional and Scientific Staff; Faculty at Special Schools; and Regents Merit System for FY 2000*** – The Board approved the plans as submitted. The plans approved are consistent with the State salary policy of a 3.0% increase plus incremental steps.

**Retirement Plan Conv.** The Board received a report regarding convertibility of the Teacher Insurance and Annuity Association – College Retirement Equity Fund (TIAA-CREF) retirement program. Employees of the Regents have sought in recent years to have the option of converting the CREF portion of the retirement account to other financial vehicles, including cash, at separation of service. Upon review of a one-year pilot project of full convertibility, the Board voted to approve making full convertibility of CREF a permanent option on separation of service.

STAFF CONTACT: Mary Shipman (Ext. 14617)

College Student Aid Commission Meeting

**Commission Meeting** The College Student Aid Commission met May 18. Significant agenda items included:



**Legislative Report** Legislative Report – Keith Greiner of the Commission staff gave a summary of appropriations and legislative actions relating to the Commission. There was discussion regarding language in the SF 464, FY 2000 Education Appropriations Act, that was not supported by the Commission. The two items included:

1. Appropriation language for Commission operations. The Commission stated that the language making an appropriation from the loan reserve account for Commission operations is in conflict with conforming language related to federal changes in the Higher Education Act of 1965. The conforming language required the Commission to create separate agency operating and loan reserve accounts. The Commission position is that no appropriation is necessary because federal regulations control the amount of loan reserve funds that can be transferred to the agency operating accounts.



1. Interest on Loan Reserve Funds. Intent language in the Act requires the Commission to use interest on loan funds for default reduction by providing emergency loans. The Commission stated this conflicts with current plans the Commission has for expending $300,000 of the interest funds on a grant program for foster children.

Commissioner John Hartung asked Mary Shipman of the LFB to respond to the General Assembly’s rationale for including the items listed. Ms. Shipman stated that federal regulations do not prohibit the State from making an appropriation from the agency operating account. The General Assembly feels an actual appropriation is necessary to limit the amount expended by the Commission and provide oversight. Ms. Shipman further stated that the language regarding expending interest was included because of two concerns: 1) the foster care program being considered does not seem to fall under the definition of default reduction since the grants go to students who do not currently have loans and 2) the Commission seemed to be moving slowly in determining potential uses of the interest funds. Also, Ms. Shipman stated that both items indicate the General Assembly’s desire to have some input in decisions made by the Commission. Commissioner Hartung made a motion that a statement be drafted to be sent to the Governor urging him to veto the items discussed. The motion was approved by the Commission.

**Administrative Rules** Administrative Rules – The Commission adopted rules regarding:

1. Agency procedures for rule making.
2. Declaratory orders.
3. Contested cases.
4. Osteopathic Physician Recruitment Program.
5. Industrial Technology Forgivable Loan Program.

 Proposed Administrative Rules - The Commission gave initial approval to proposed rules for the following:

* Iowa Tuition Grant eligibility.
* Iowa Vocational-Technical Tuition Grant eligibility.
* Iowa National Guard Education Assistance program.
* Chiropractic Forgivable Loan Program.
* Teacher Shortage Forgivable Loan Program.

**FY 2000 Budget** The Commission approved the FY 2000 budget as proposed by Commission staff.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Board of Corrections Meeting



**Board Meeting** The Board of Corrections met May 7. The first order of business was introduction of new Board members. The new members are: Robyn Mills, a homemaker and former Senate Democratic Caucus Staff analyst from Johnston; Arthur Neu, an attorney and former Lieutenant Governor from Carroll; and Walter Reed, Jr., the Executive Director of the Waterloo Human Rights Commission. The returning Board members are Suellen Overton from Council Bluffs, Haywood Belle from Iowa City, and Frances V. Colston from West Des Moines. The replacement for Mildred Elliott, who recently resigned, has not been named.

**Chairperson Elected** The Board’s next action was to elect Suellen Overton as Chairperson and Frances Colston as Vice-Chairperson. The meeting proceeded with an overview of 1999 legislation by Fred Scaletta, a review of the FY 2000 appropriations by John Baldwin, a description of Prison Industries by Roger Baysden, and a discussion of offender programming by Ken Burger.

**June Meeting** The June Board meeting will be held in Mt. Ayr and will include a reception honoring Mildred Elliott, who recently retired as Chairperson of the Board.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

National Swine Research Center at Iowa State University



**Agreement Signed** Iowa State University (ISU) and the U.S. Department of Agriculture’s Agriculture Research Service signed a 20-year agreement on April 27 to fund operation of a new $9.6 million National Swine Research Center designed to study the problems of the pork industry. The main focus of research at the Center will be developing new approaches to reducing hog odor while enhancing feed efficiency and growth.

**Researchers** The Center will house eight ISU faculty members from the Department of Agriculture and Biosystems and one faculty member from the Department of Animal Science. Jerry Hatfield is the Director of the Center. The Center will also house many U.S. Department of Agriculture (USDA) researchers.

**Facility** The Center consists of a 52,000 square foot facility that was completed in 1998 with federal funds but stood vacant after federal budget cuts left the USDA without funding to operate the facility.

 However, the USDA was able to get $1.0 million to fund research at the Center.

STAFF CONTACT: Mary Shipman (Ext. 14617)

20th Annual Governor’s Conference on Aging

**Conference on Aging** On May 17 and 18, the Department of Elder Affairs hosted the Governor’s Conference on Aging at the University Park Holiday Inn in West Des Moines. An estimated 630 people attended the Conference. The theme of this year’s Conference was “Toward a Society for All Ages”. Keynote speakers were Dr. Will Miller and Sally Eggleston. On May 17, Governor Tom Vilsack addressed the luncheon giving special recognition to eight of Iowa’s centenarians. An award ceremony followed, emceed by Ed Wilson, TV Channel 13, in which individual awards were given to the eight centenarians as well as 23 individuals and organizations recognized for outstanding volunteerism and leadership.

STAFF CONTACT: Jennifer Dean (Ext. 14613)

Lottery Revenues and Expenditures Through April



**FY 1999 Lottery Revenues** Through April, FY 1999 Lottery game revenues increased $9.8 million from the FY 1998 level. Lottery prize expenses increased $6.0 million, operating expenses increased $914,000, and transfers to other State funds increased $2.7 million. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.



**FY Sales** Fiscal year sales through April, compared to the same time period of FY 1998, were as follows:

1. Instant ticket sales decreased $1.0 million (1.4%).



1. Iowa Lotto/Supercash/Pick 3 sales decreased $3.5 million (53.5%).
2. Multi-State Powerball sales increased $14.4 million (58.9%).
3. Multi-State Daily Millions/Cash 4 Life sales decreased $1.3 million (27.1%).
4. Daily Game sales decreased $239,000 (6.0%).
5. Pull-tab sales increased $1.8 million (8.9%).

**April Sales** Total Lottery sales for April were below April 1998 by $222,000 (1.6%). April 1999 sales for Cash 4 Life, Pull-tabs, and Pick 3 were below April 1998.



**REC Projections** The December Revenue Estimating Conference (REC) projected FY 1999 Lottery profits will total $35.5 million. Of this amount, $33.9 million is to be transferred to the State General Fund and three-tenths of one percent of gross Lottery sales transferred to the Gambler’s Assistance Fund (approximately $530,000). Actual profit transfer for FY 1998 was $34.7 million. Although Lottery profits are currently $2.7 million above FY 1998 for the same time period, LFB projections indicate final profits will be at or just below the REC estimate. This is because profits during the fourth quarter of FY 1998 were very high due to large Powerball jackpots.

**Sales Tax Paid** In addition to the amount transferred to the State as profits, the Lottery has transferred $7.2 million in sales tax during FY 1999.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Iowa Communications Network (ICN) Video Classrooms



**ICN Classrooms** The Iowa Communications Network (ICN) added six interactive video classrooms during the last half of April at Central Middle School in Waterloo, AR-WE-VA Junior High School in Westside, East Green High School in Grand Junction, Iowa City Public Library, Sioux City Public Library, and Newton Correctional Facility. This brings the total number of classrooms to 661. The total number of classrooms that will be included in the Network at the end of the Part III build out is estimated at over 700. This will include multiple classrooms at several authorized sites. The table below presents the current distribution of sites by type of authorized user.

**IOWA COMMUNICATIONS NETWORK**

|  |  |
| --- | --- |
| Area Education Agencies | 16 |
| Community Colleges | 96 |
| K-12 School Districts | 355 |
| Other Education | 4 |
| Libraries | 23 |
| Medical Facilities | 8 |
| Private Colleges | 17 |
| Regents Institutions | 25 |
| National Guard | 56 |
| State Agencies | 43 |
| Federal | 15 |
| Miscellaneous | 3 |
| Classrooms Total | 661 |

**Website** This information is updated weekly and is available on the Internet at <http://www.icn.state.ia.us/about/clickmap/clickmap.htm>**.** If you would like a copy of the full list of sites and their locations and do not have access to the Internet, you may contact the LFB and request a copy.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Weekly Medical Assistance Expenditures in the Department of Human Services



**Medical Asst. Program** For the week ending May 17, 1999, FY 1999 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $12.8 million (65.0% of budget). This is $6.9 million below the weekly budget established by the Department. Year-to-date Medical Assistance General Fund expenditures are $317.7 million, which is $6.2 million (2.0%) above the amount budgeted for the fiscal year-to-date.

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

STAFF CONTACT: Deb Anderson (Ext. 16764) Sue Lerdal (Ext. 17794)

Legislative Fiscal Committee



**Fiscal Committee** The Legislative Fiscal Committee is a committee of the Legislative Council. The ten-member Committee is chaired by Senator McLaren and Representative Millage and meets approximately monthly throughout the interim. Committee members include: Senators Flynn, Harper, Johnson, and Kramer, and Representatives Jacobs, Murphy, Shoultz, and Van Fossen.

 The Committee routinely receives updates on the State revenue picture, the federal budget situation, and appropriation transfers/lease purchase notifications.

***Issue Reviews*** ***Issue Reviews*** are prepared by legislative staff and presented or distributed to Committee members. The Committee also discusses a variety of legislative issues selected by the chairpersons and committee members, performing a valuable oversight function. If you have any suggestions for ***Issue Review*** topics or for issues you would like the Committee to address, please contact the Fiscal Committee chairpersons, a committee member, or the LFB.

**June Meeting** The Fiscal Committee is tentatively scheduled to meet on Wednesday, June 9, at 10:00 a.m., in Room 1 of the Capitol

 Building. The tentative agenda will be distributed during the first week of June.

STAFF CONTACT: Holly Lyons (17845) Tim Faller (14615)