FISCAL UPDATE October 05, 1998

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Board of Corrections Approves Budget Request



**Board Meeting** The Board of Corrections met September 25. The meeting opened with comments from the Director of the Department of Corrections. Mr. Kautzky discussed the out-of-state placement of women inmates from the Mitchellville prison. One hundred women were transferred to a prison in Virginia at a cost of $60 per day per inmate or a total annual cost of $2.2 million. Forty-two women volunteered for the transfer. The Department tried to select women without children or with older children for transfer. Plans call for the inmates to be out of Iowa for a maximum of one year.



**Prison Population Forecast** Lettie Prell, Policy Analyst with the Criminal and Juvenile Justice Planning Division, Department of Human Rights, presented the prison population forecast for the next ten years. The forecast assumes policies, laws, and correctional practices will remain the same for the forecast period. The chart below shows the number of inmates and the available prison beds through June 30, 2008.

**Major Points** Ms. Prell’s major points were:

1. Policy and law are driving the prison population growth more than crime rates, demographics, and other factors.



1. The inmate population is projected to reach 14,586 inmates by June 2008, double the number of prison beds now available and authorized.
2. Fiscal Year 1998 had a record prison population growth, adding 795 inmates. The increase was attributed to (a) increased admissions, divided equally between new court commitments and probation revocations, and (b) increased length of stay.
3. Half of the impact of the “85.0% Truth-in-Sentencing” law is included in the ten-year forecast period. The remaining increase will occur after FY 2008.
4. Drug offenses accounted for 130 prison admissions in FY 1998; drunken driving and other traffic offenses accounted for 112 admissions; forgery/fraud (55), assault (52), and theft (42) were the other significant categories of new admissions.
5. The major increases by offense type were for non-person Class C felonies, all types of Class D felonies, and non-person and Operating While Intoxicated (OWI) aggravated misdemeanors.
6. Prison releases increased by 4.0%, as compared to a 12.0% prison population growth. The reason for release showing the greatest increase was expiration of sentence, followed by work release.

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**FY 2000 Budget Request** Mr. Kautzky continued the discussion of prison overcrowding and moved into the Department’s budget request. He commented that the State cannot “build its way out” of the prison crowding problem. The Department is planning for expanded use of Community-Based Corrections and other diversions of offenders from prison. The Department now places approximately 1,000 inmates in a 750-bed prison. At that rate, each time 1,000 inmates are added to the prison system, another prison will need to be opened; that is, five or six prisons over the next ten years, if alternatives are not utilized. Mr. Kautzky also stated that the inmate population needs to be kept below 130.0% to 140.% of design capacity to avoid federal lawsuits. He commented that when the federal courts control prison capacity, costs increase. Fort Madison, which is under a consent decree, costs $102 per day per inmate. Anamosa, which is not under court control, costs $30 per day per inmate.



**Board Approval** Mr. Kautzky presented the Department’s Budget request and received unanimous approval from the Board. The Department’s request includes:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | Requested FY 2000 Increases | FTE |
|  |  |  | (in millions) |  | Positions |
| Operations Budget-General Fund |  |  |  |  |
|  | Approved Bed Expansions |  | $ 15.2 |  | 132.8 |
|  | CBC Facility Supervision |  | 2.0 |  | 64.4 |
|  | Sex Offender Treatment |  | 1.6 |  | 35.2 |
|  | Technology and Data Processing |  | 1.9 |  | 9.0 |
|  | Segregation Inmate Reintegration |  | 0.5 |  | 12.0 |
|  | GASA Funding Replacement |  | 0.6 |  | 12.8 |
|  | Medical Care Cost Increases |  | 1.0 |  | 6.7 |
|  | Training Officers |  | 0.1 |  | 2.0 |
|  | Protective Custody |  | 0.8 |  | 20.7 |
|  | Out-of-State Placement-Women |  | 2.2 |  |  |
|  | Inmate Education |  | 0.3 |  |  |
|  | DOC Victim Programs |  | 0.1 |  |  |
|  | Inmate Work Supervision- Approved Facility Expansion | 0.4 |  | 10.0 |
|  | Critical Authorized Positions (federal consent decree) | 0.3 |  | 8.0 |
| Total Operations Increases |  | $ 27.0 |  | 313.6 |
|  |  |  |  |  |  |
| Infrastructure Projects |  |  |  |  |
|  | Oakdale-120 beds |  | $ 5.7 |  |  |
|  | Clarinda Kitchen Planning (Telephone Rebate Fund) | 0.2 |  |  |
| Total Infrastructure Projects |  | $ 5.9 |  |  |
|  |  |  |  |  |  |
| Major Maintenance |  |  |  |  |
|  | Major Maint.-Health, Life & Fire |  | 6.8 |  |  |
|  | Critical Deferred Maintenance |  | 6.9 |  |  |
|  | Deferred Maintenance |  | 3.1 |  |  |
|  | American With Disabilities Act |  | 0.6 |  |  |
|  | Capital Non-Expansion |  | 3.0 |  |  |
|  | Routine Maintenance |  | 3.7 |  |  |
| Total Major Maintenance |  | $ 24.1 |  |  |

**Subcommittee Action** Traditionally, the $27.0 million requested increase for operations would be examined by the Justice System Appropriations Subcommittee. The Infrastructure and Major Maintenance requests would be examined by the Transportation, Infrastructure, and Capitals Appropriations Subcommittee.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561) Christina Schaefer (Ext. 16301)

Meeting of the Iowa Council for Continuous Improvement in Education



**Council Meeting** The first meeting of the Iowa Council for Continuous Improvement in Education was held September 28. The Council was created by Executive Order Number 67 by the Governor to study the PreK-12 educational workforce. The Council conducted the following business:

1. Heard comments from the Governor regarding the duties and effort of the Council.
2. Heard from a representative of the Consortium for Policy Research in Education regarding national models for teacher compensation.
3. Heard from two representatives of the National Board for Professional Teaching Standards regarding national certification for teachers.
4. Discussed teacher evaluation methods.
5. Set tentative meeting dates of October 23, November 4, and December 9.

**More Information** Additional information is available upon request.

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

September board of Regents Meeting



**Board Meeting** The Board of Regents met September 23 and 24 and conducted the following business:

1. Approved changes to the Regents policy on English language proficiency based upon action by the 1997 General Assembly.
2. Received a preliminary report on enrollment trends for the 1998 fall semester.
3. Received the annual governance report on student financial aid.



Tuition

1. Received a status report regarding teacher education reform efforts. Additional information will be provided to the Board at the November meeting.
2. Received the preliminary recommendations regarding increases in student tuition for FY 2000. This includes a 5.2% increase in the base tuition and other increases in surcharges and fees. The request also includes permission to charge a different tuition rate for the study of engineering at the University of Iowa (referred to as a differential tuition rate). The Board heard presentations from student representatives from the three institutions of higher education. The Board is scheduled to take action at the October Board meeting, but statutorily is not required to set tuition for FY 2000 until the November 1998 Board meeting.
3. Approved the FY 2000 appropriations budget requests. Detail will appear in the next edition of the ***Fiscal Update***.
4. Approved the capitals appropriations budget requests for FY 2001 and FY 2002. Details will appear in the next edition of the ***Fiscal Update***.
5. Received a report regarding compliance with the Year 2000 and created a Peer Review Team for the verification processes needed to comply with the requirements of the Department of Management and the Legislative Oversight Committee.
6. Approved the sale of $14.0 million of Dormitory Revenue Bonds for Iowa State University as part of the planned residential housing changes underway. The bonds were sold for a true interest rate of 4.8421% for a period of 25 years.
7. Approved the process to permit the University of Iowa to be reimbursed for expenses related to the Newton Road Parking Facility being constructed as part of the Health Sciences project, when bonds are sold later during FY 1999.



1. Approved the divestiture of funds with Walter Scott, the Board’s international endowment fund manager, due to return performance and requested recommendations for other international fund managers from Wilshire Associates (the Board’s investment advisor). The funds being divested were valued at $9.4 million as of June 30, from a portfolio of $164.8 million from the institutions. This does not include affiliated foundation investments.
2. Received the annual reports of phased and early retirement programs.
3. Received the annual report on energy conservation.



1. Approved the employment of R. Wayne Richey for a 60.0% time contract with the University of Iowa for a two-year period at an initial annual salary of $67,200.
2. Approved the following capital projects at Iowa State University:
3. Project planning for remodeling of Pearson Hall, at a cost of $2.7 million, funded by Treasurer’s Temporary Investments ($2.2 million) and general university building repair ($500,000).
4. Approved the design for the $4.4 million remodeling of the Student Services Building.
5. Approved the project description for the $25.9 million project for the Hawthorn Court Apartments of the residence system.
6. Gave the Iowa School for the Deaf permission to proceed with project planning for the recreation center. The plan includes an FY 2000 appropriation from the General Assembly of $3.2 million for the center.



1. Approved the following capital projects at the University of Iowa:
2. Project planning for the $3.8 million Hospital Dentistry Institute in the Pomerantz Pavilion, funded by University Hospital Building Usage funds.
3. Project planning for the $2.3 million third floor laboratory completion in the Iowa Advanced Technology Laboratory building (Laser Building), funded by building renewal funds and Treasurer’s Temporary Investments.
4. Approved the Sesquicentennial Campus Planning Framework for the University of Iowa.
5. Approved the purchase of $280,000 of two properties on Capitol Street in Iowa City, with funds from Treasurer’s Temporary Investments. The area is part of the location for the new University Services Building.

**More Information** Additional information is available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

September College Student Aid Commission Meeting

**Commission Meeting** The College Student Aid Commission met September 15 and conducted the following business:



1. Added representatives to include all three higher education entities (public four-year, private, and community colleges) to the membership of the Default Reduction Task Force and discussed default avoidance counselors and debt management grants.
2. Approved the FY 2000 budget requests, which have not changed since the information provided in the September 16 edition of the ***Fiscal Update***.
3. Authorized the issuance of requests for proposals relating to changes resulting from the pending reauthorization of the federal Higher Education Act of 1965.
4. Discussed concerns relating to the approval of recipients of the federal Byrd Scholarship and the process involved in the approvals.

**More Information** Additional detail is available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

Legislative Fiscal Committee Meeting

**Fiscal Committee Meeting** The Legislative Fiscal Committee met on September 30 at the University of Northern Iowa in Cedar Falls. The Committee:



1. Heard presentations on Regents Capital Priority Planning by Frank Stork, Executive Director of the Board of Regents, and Owen Newlin, President of the Board of Regents, and representatives from four of the institutions.
2. Heard a presentation by Dermot Hayes, Leader for Trade and Agricultural Policy Development, Iowa State University Center for Agriculture and Rural Development, on the agricultural economy.
3. Toured the UNI campus, including the Wellness Recreation Center, the Physics Building, and the steam tunnels:
4. Heard presentation by Sue Lerdal, LFB, on the following:
5. Treasurer’s Temporary Investment (TTI) Funds - review of FY 1998 Expenditures for Deferred Maintenance and Renovation.
6. Regents FY 1998 General University Building Repair Expenditures.
7. Extension Services at Iowa State University - ***Issue Review***
8. Regents Graduate Study Centers ***- Issue Review***
9. Discussed Department of Education federal entitlement and competitive grant programs, particularly the “administrative costs” also referred to as “set aside”. Lee Tack, Department of Education, responded to questions.
10. Discussed the situation where a Cedar Falls foster family had a foster child start a fire in their home last December. Karla McHenry, Department of Human Services, responded to questions.

**Next meeting** The next meeting is tentatively scheduled for Thursday, November 12, at 10:00 a.m. in Des Moines. The tentative agenda will include:

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1. Update by Phil Smith on Federal Budget action.
2. Tom Grau, Executive Director of Farm Services Agency, on the farm economy in Iowa.
3. Dermot Hayes, Leader for Trade and Agricultural Policy Development, Iowa State University Center for Agriculture and Rural Development, for another update on the agricultural economy.
4. Follow-up on Prison Farms Inventory requested at the August meeting.
5. Gateway - Discussion of Internet Sales Taxes.
6. A review of grant programs in the Department of Human Services (DHS).
7. Medical Examiner’s Office - should it be an independent office? Discuss funding and FY 2000 budget request.
8. Update on Child Support Recovery Program in DHS.
9. FY 1998 Technology Reversions.

**More information** The tentative agenda will be distributed when it becomes available.

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

Iowa Seed Capital Liquidation Corporation Meeting



**Board Meeting** The Iowa Seed Capital Corporation Liquidation Board held its third meeting on September 23. The Board was created by SF 2296 (1998 Economic Development Appropriations Act). The Board’s purpose is to liquidate the assets held by the Iowa Seed Capital Corporation in a manner which maximizes return to the State and minimizes negative impacts on the companies in which the Corporation is invested.

**Liquidation Efforts** The Board discussed responses from companies contacted concerning an appraisal of the Corporation’s assets. The proposed cost ranged from $60,000 to $350,000, while the proposed timeline ranged from three weeks to nine months. The Board did not take action on the matter. The Board voted to turn over to the Department of Economic Development (DED) all investments which were strictly royalty agreements. Approximately eight of the 21 investments of the Board are considered strictly royalty agreements. Under the provisions of SF 2296, any income from the royalty agreements would be placed in the DED’s Strategic Investment Fund. The Board also voted to develop a Request For Proposals (RFP) to solicit a person or organization to manage the remaining portfolio.

**Next Meeting** A date for the next Board meeting was not set.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Star Schools Funds Extended

**Federal Grant**  Iowa Public Television and the Department of Education recently announced receipt of a federal grant of $8.0 million to continue activities of Iowa’s Star Schools Project through September 1999.



**Purpose of Grants** Of the total, $4.1 million will go directly to schools that have or will have an Iowa Communications Network (ICN) classroom by the end of Part III buildout. Grants of $10,000 per classroom will be available to:

1. Train teachers in using technology and telecommunications in the classroom.
2. Purchase specialized equipment for the ICN classroom or to support the school’s Internet access.
3. Purchase educational software.
4. Development of curriculum to effectively utilize technology.

**Applications** Grant applications and guidelines will be mailed to school superintendents in late October.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Lottery Revenues and Expenditures Through August



**FY 1999 Lottery Revenues** Through August, FY 1999 Lottery sales revenues were $8.9 million above the FY 1998 level. Lottery prize expenses increased $4.7 million, operating expenses increased $1.6 million, and transfers to other State funds increased $3.2 million. The following table details the revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.

| **STATE LOTTERY****July Through August****(Dollars in millions)** |
| --- |
|  |  |  FY 1998 |  | FY 1999 |  | Inc./Decr. |  | % Inc. |
| FY Beg. Balance |  | $ 3.4 |  | $ 3.1 |  | $ -0.3 |  |  |
|  |  |  |  |  |  |  |  |  |
| Game Revenues |  | 26.8 |  | 35.7 |  | 8.9 |  | 33.2 |
| Interest |  | 0.1 |  | 0.1 |  | 0.0 |  | 65.9 |
|  Total Revenue |  | $ 26.9 |  | $ 35.8 |  | $ 8.9 |  | 33.2 |
|  |  |  |  |  |  |  |  |  |
| Prize Expense |  | 15.6 |  | 20.3 |  | 4.7 |  | 30.1 |
| Operating Expense |  | 5.5 |  | 7.1 |  | 1.6 |  | 28.2 |
| Transfer of Profits |  | 5.5 |  | 8.6 |  | 3.2 |  | 58.1 |
|  Total Expense |  | $ 26.5 |  | $ 35.9 |  | $ 9.4 |  | 35.4 |
|  |  |  |  |  |  |  |  |  |
| Year-to-Date Ending Balance |  | $ 3.7 |  | $ 2.9 |  | $ -0.7 |  |  |

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

1. Instant ticket sales decreased $862,000 (5.9%).



1. Iowa Lotto/Supercash/Pick 3 sales decreased $748,000 (55.6%).
2. Multi-State Powerball sales increased $9.9 million (189.5%).
3. Multi-State Daily Millions/Cash 4 Life sales decreased $90,000 (9.5%).
4. Daily Game sales decreased $92,000 (10.6%).
5. Pull-tab sales increased $746,000 (19.3%).

**August Sales** Total Lottery sales for August were above August 1997 by $27,000 (0.2%). August 1998 sales for all games except Powerball and Pull-Tabs were below August 1997.



**REC Projections** The September Revenue Estimating Conference (REC) projected FY 1999 Lottery profits will total $34.4 million. Of this amount, $33.9 million is to be transferred to the 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.

**Lottery Expenditures** The following chart shows the annual percent of Lottery revenue expended on prizes, administration, profit transfers to other State funds, and sales tax. The FY 1999 figure is through August and the previous year’s figures are year-end.



**Sales Tax Paid** In addition to the amount transferred to the State as profits, the Lottery has paid $1.8 million in sales tax during FY 1999.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Federal Education Block Grant Bill Receives House Approval

**Federal Action** The House of Representatives approved HR3248 (Dollars to the Classroom) on September 18. The Bill provides for block grants of several education program funds, including Goals 2000, Title VI, part of Title I, and School-to-Work. Total allocations in the Bill, as passed by the House, are $2.1 billion, which is a decrease of $0.5 billion (19.9%) compared to current law allocations.

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**Impact on Iowa** In addition, with the conversion to block grants, the new allocation for Iowa’s share is $18.5 million, a decrease of $19.8 million (51.8%). Only two other states, Alaska (-63.9%) and Hawaii (-77.8%), would lose a larger percentage. The reason for the decrease is the change to an allocation formula based on population and poverty ratios. Iowa’s population is declining and the percentage of poverty in Iowa is low compared to most states.

**Other Federal Funds** However, the Bill only addresses a portion of the federal funds that flow to Iowa. The Iowa Department of Education estimates that approximately $211.4 million of federal education funds come to Iowa. More than 90.0% of these funds flow directly or indirectly to schools in several major programs, including:

1. $65.6 million for food and nutrition (including free and reduced lunch).
2. $50.7 million for special education.
3. $53.3 million for Title I. Title I includes funding for reading, math, and science programs for disadvantaged students. School districts receive these funds by formula based on the percentage of students in poverty as determined by the free and reduced lunch program qualifications. A portion of these funds would be affected by HR 3248, but the majority of Iowa’s Title I funds are protected by a “hold harmless” clause that guarantees the same amount of funding as the previous year.
4. $13.2 million of Perkins vocational education funds.

**No Senate Action**  The Senate has yet to take action on this Bill.

**More Information** Additional information is available from the LFB.

STAFF CONTACT: Mary Shipman (Ext. 14617)

1998 Inmate Profile



**Report Issued** The Criminal and Juvenile Justice Planning Division, Department of Human Rights, has issued State of Iowa: 1998 Inmate Profile. The report summarizes offenses, demographics, and other characteristics of the midyear prison inmate population. Highlights of the report include:

1. Drug crimes show the most rapid growth rate over the last five years, increasing from 12.0% of the inmate population to 18.0%.
2. Less than half (42.0%) of Iowa’s inmates’ most serious crime was a “crime against persons,” a 2.0% decrease over the last five years.
3. Between June 1993 and June 1998, the “lifer” population has grown by 117 inmates to a total of 480 lifers.
4. Over the past five years, inmates with mandatory minimum sentences have increased by 670 offenders to a total of 1,416 inmates.
5. The female inmate population is increasing at a faster rate than the male population. Five years ago, women made up 6.0% of the inmate population; now they comprise 8.0% of the prison inmates.
6. The inmate population is aging. Five years ago, one-fourth of the inmates were between the ages of 35 and 60. Now approximately one-third of the inmates fall in this age group.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561) Christina Schaefer (Ext. 16301)

*Issue Review* Released - Iowa State University Cooperative Extension Program



***Issue Review*** The Legislative Fiscal Bureau (LFB) has completed an ***Issue Review*** regarding the Iowa State University Cooperative Extension Program. The report reviews the various programs and services provided by the Extension Program. Copies of the report are available upon request from the LFB.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

*Issue Review* Released - Regents Graduate Study Centers



***Issue Review*** The Legislative Fiscal Bureau (LFB) has completed an ***Issue Review*** regarding the three graduate study centers providing higher education assistance to citizens of Iowa. The report includes budgets, numbers of students served, and historical information. Copies of the report are available upon request from the LFB.

STAFF CONTACT: Sue Lerdal (Ext. 17794)