FISCAL UPDATE January 5, 1999

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Prison Growth Costs



**Population Forecast** The Criminal and Juvenile Justice Planning Division (CJJP) of the Department of Human Rights has released its prison population forecast through FY 2008. The forecast assumes current laws and policies remain in place and current growth trends continue. The following chart illustrates the projected growth in the inmate population.

**FY 2008 Projections** At the beginning of FY 1999, the inmate population was 7,431 in a prison system with a design capacity of 5,701 beds. Overcrowding was 130.4% of design capacity. By FY 2008, the inmate population is projected to reach 14,586 in a prison system with a design capacity of 6,601 beds. Overcrowding is projected to be 221.0%.



**Estimated Cost** If the Department of Corrections were to build prisons to accommodate the growth and operate without overcrowding, Iowa will need to build eleven 750-bed prisons by FY 2008. Without adjusting for inflation, the prisons would cost approximately $342.0 million to construct if funding were directly appropriated, or a total of $557.4 million if the prisons were bonded. The annual operating budget for the prison system would increase from $153.3 million in FY 1999 to $334.6 million in FY 2008. The following table indicates when prisons would need to become operational and the associated costs.



**Design Capacity** The Director of the Department of Corrections has stated before the Board of Corrections and the Sentencing Commission that the prison system can operate between 130.0% and 140.0% of design capacity and not create conditions that would lead to viable inmate lawsuits. If the prison system were to operate at less than 140.0% of capacity, the Department of Corrections will need to add six 750-bed prisons by FY 2008. Without adjusting for inflation, the prisons would cost approximately $175.1 million to construct if funding were directly appropriated, or a total of $285.4 million if the prisons were bonded. The annual operating budget for the prison system would increase from $153.3 million in FY 1999 to $256.1 million in FY 2008. The following table shows when the prisons would need to become operational and the associated costs.



**Sentencing Commission** The above cost estimates can be considered the maximum and minimum cost increases if nothing is done to address the growing inmate population. The General Assembly has authorized a two-year Sentencing Commission to evaluate Iowa’s criminal sentences and incarceration policies. The Department of Corrections is proposing expansion of community-based corrections facilities in FY 2000 to reduce waiting lists and move inmates out of prison sooner. Changes in correctional policy can affect future costs.

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Board of Regents Meeting - December



**Regents Board Meeting** The Board of Regents met December 3. Significant agenda items included:

1. Review and final approval of the strategic plans for each of the three Regents institutions and the two special schools. The Board reviewed the plans in detail at the November meeting and the plans were approved with minor changes.
2. Annual Report on Performance Indicators. The Report contains progress made by the Institutions in meeting a list of 43 performance indicators. Approximately 15 of the indicators are reported by all institutions. The remaining indicators are institution specific or reported by less than all institutions. A sample of the performance indicators is shown in the Table below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **University of Iowa** | **Iowa State University** | **University of Northern Iowa** |
| Average undergraduate class size | 31.8 | 32.2 | 29.2 |
| Number of annual contributors | 46,911 | 50,000 | 15,480 |
| Value of contributions | $125.6 million | $103.5 million | $8.4 million |
| Percent of undergraduate student credit hours taught by tenure or tenure track faculty | 56.8% | Not Provided | 72.3% |
| Percent of introductory courses taught by senior faculty | Not Provided | 62.0% | 38.5% |
| Percent of senior faculty teaching at least one undergraduate course per academic year | Not Provided | 86.1% | Not Provided |

1. Report of Professional Development Assignments. This Report indicates the status of University staff that are on leave for professional development assignments. Cost of the assignments for FY 1998 was $7.5 million, which is 11.9% less than projected in December 1996. There were 162 faculty members on professional development assignments during FY 1998.
2. Annual Report on Faculty Tenure. Tenure is a contractual employment status by which faculty appointments are continued indefinitely. Tenure is typically awarded after a probationary period of seven years. The Regent universities have a total of 6,538 faculty members as of fall 1998. Of this total, 2,949 (45.1%) are tenured, 788 (12.1%) are on probationary tenure track, and 2,801 (42.8%) are not eligible for tenure. The percentage of tenured faculty among those eligible is 78.4% at the University of Iowa, 80.8% at Iowa State University, and 75.8% at the University of Northern Iowa.



1. Annual Report on Faculty Resignations. Resignations of university faculty totaled 122 in FY 1998, which is 30 more than FY 1997. Since 1988, the average number of faculty resignations has been 111 per year.
2. Annual Report on Diversity. The Report contains a variety of statistics on the progress of the institutions in the area of diversity as it pertains to student population and staffing. Regent Arenson stated that there appears to have been no significant progress towards increasing diversity in the last 10 years.
3. Preliminary Approval of Fees and Miscellaneous Charges. These changes vary by university. Additional detail is available from the LFB.
4. Report on Affiliated Organizations. This Report contains highlights of the annual reports filed by 15 university-affiliated organizations such as alumni organizations and foundations that provide additional financial support to the universities.
5. Retirement Fund (TIAA-CREF) Cashability – Report and Policy Revision. In September 1997 the Board approved a one-year pilot project to permit former employees who had been separated from service at least five years, who had attained the age of 55 years, and who had selected TIAA-CREF as their retirement vendor to move their retirement funds from CREF to a vendor and product of their choice. The Board Office recommended that the pilot project be extended for a six month period with the following changes:
6. Eliminate the five-year separation requirement for cashability.
7. Prohibit an employee retiring under the pilot project from returning to service at a Regent institution position providing retirement benefits for a period of three years.
8. Review and final approval of the program statements and design document for the Hawthorn Court Residence Development at Iowa State University. Total construction of the Development is projected to be $55.7 million as presented. The Board had some concern that not all of the 23 units have elevators. Iowa State indicated that in the original design none of the units had elevators. In response to concern by the Board, the design plans now include elevators in half of the units. The additional cost to include elevators in the remaining units is estimated at $1.4 million. The Board approved the plans as presented.
9. Quarterly Update on the University of Iowa Hospitals and Clinics

**More Information** Additional detail or copies of reports listed above are available from the LFB.

STAFF CONTACT: Mary Shipman (Ext. 14617) Paige Piper/Bach (Ext. 14613)

Natural Resource Commission Holds Monthly Meeting



**Commission Meeting** The Natural Resource Commission met December 10 in Des Moines. The following presentations were made by Department of Natural Resources staff members:

1. Stan Kuhn, Administrator of the Administrative Services Division, discussed the land acquisition of 1,700 acres located in Allamakee County that will be managed by the Wildlife Bureau. The acquisition was approved.
2. Al Farris, Administrator of the Fish and Wildlife Division, asked the Commission to support federal legislation that would redirect outer continental shelf oil and gas lease funds to programs under the Land and Water Conservation Act, the Urban Park and Recreation Act, and to State agencies to conserve and manage wildlife. The Commission agreed to support this legislation.
3. Bill Farris, Administrator of the Forestry Division, gave a presentation on the overall health of the forests in Iowa, which included a review of the storm damage to trees during the past year. Included was a status report on the gypsy moth, which is present in Iowa, but has not become a major problem at this time.
4. Mike Carrier, Administrator of the Parks, Recreation, and Preserves Division, presented a Notice of Intended Action to amend the Recreation Infrastructure Grant Program. The request was approved by the Commission.
5. Kevin Szcodronski, Legislative Liaison, presented legislative proposals supported by the Department for the 1999 Session of the Iowa General Assembly. Legislative drafts included:
6. Boater Implied Consent – This legislation would prohibit the operation of a motor boat or sail boat while intoxicated and impose an implied consent to test operators.



1. Watercraft Safety Education – This legislation provides regulation on the operation of personal watercraft. It allows the Department of Natural Resources to develop and administer a watercraft safety course in at least 12 counties by January 15, 2000, and in at least 50 counties by January 15, 2002.
2. Endangered Plants and Wildlife Species – This legislation adds language to the Code of Iowa and allows the Department of Natural Resources to assess civil damage charges for the destruction of endangered plants and animals.
3. Liquidated Damages for Swans and Cranes – This legislation would require a liquidated damage penalty of $1,500 for illegal taking of swans and cranes.
4. Deer Licensing Drawing – This legislation allows the Department of Natural Resources to develop administrative rules for issuance of a limited number of deer licenses rather than conduct a drawing.

**Next Meeting** The next meeting will be held in Des Moines February 11.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Commission On Urban planning, growth management of cities, and protection of farmland holds Meeting



**Commission Meeting** The Commission on Urban Planning, Growth Management of Cities, and Protection of Farmland held a two-day meeting in Des Moines on November 30 and December 1. The following presentations were made on November 30:

1. Don Ward and Mark Kerper, Department of Transportation, gave an overview on Department project planning and long-range planning.
2. Stuart Huntington and Paul Anderson, Iowa State University, gave the final report on changes of land use in the State of Iowa to the Commission.
3. Deb Kozel, Legislative Fiscal Bureau, presented average costs for comprehensive plans that have been completed by counties and cities in Iowa.
4. Jim Boose, Senate Republican Staff, presented a legislative draft for the next Legislative Session addressing State strategic development planning, local land use planning, annexation, eminent domain, and land use inventories.

**Oregon Visit** On December 1, Representative Fallon presented an overview of his trip to Oregon, where he met with state and local officials on land-use planning, zoning, and other comprehensive planning issues.

**Discussion** The Commission members discussed the legislative draft presented. Changes were made to the draft and will be introduced in the next Legislative Session.

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Library Interim Study Committee



**Interim Meeting** The Library Interim Study Committee met on December 11, via telephone conference call. Members discussed items including, but not limited to:

1. Additional funding for local libraries. Discussion focused on how the funds would be distributed. The State Library Association has proposed a formal plan entitled “Enrich Iowa – Fund Libraries.” The proposal calls for a $3.0 million investment in library funding. Approximately $1.8 million would be distributed to local libraries based on standards of service. The remaining funds would be distributed by competitive grants. The Committee discussed alternative distributions, such as distribution per capita with local control over library needs.
2. Employee status for employees of the Regional Library Boards. There are 28 such employees within the State who are currently not State employees.
3. A proposed pilot project to centralize some of the common functions between small libraries, such as computer technology needs, while permitting the local library to continue to function independently.
4. Encouraging local libraries to collaborate with other area entities outside the regional library system, such as area education agencies.

**Recommendation**

**Recommendation Approved** The Committee unanimously approved a recommendation to require the Department of Personnel to include regional library employees as eligible employees for the State employee health insurance plans, if requested by a Regional Library Board.

**More Information** Additional information is available upon request. Staff of the Legislative Service Bureau will be writing a draft of a Final Report for the Interim Committee, to be distributed to members of the Committee for approval. Copies will be available from the Legislative Service Bureau when completed.

LSB STAFF CONTACTS: Susan Crowley (Ext. 13430) Nicole Haatvedt (Ext. 16329)

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State of Iowa - Report on State Indebtedness

**Report Completed** The Legislative Fiscal Bureau completed a report on State indebtedness. The Report presents an overview of the State’s total indebtedness as of June 30, 1998, and includes information by type of debt.



**Total Debt** Based on the information collected, the total outstanding debt as of June 30, 1998, was $2.313 billion, a decrease of $84.0 million in outstanding debt compared to June 30, 1997. This includes debt incurred by all State agencies and authorities affiliated with the State. The Iowa Finance Authority and the Board of Regents together comprise 77.5% of the total State debt. All other entities make up the remaining 22.5%.

**Liabilities of the State** Of the total State debt, $426.0 million (18.4%) is considered a liability of the State. Debt which constitutes a liability of the State includes that in which the annual debt payments are paid from funds appropriated by the General Assembly. For this report, all debt classified under the General Long-term Debt Account Group within the 1997 Comprehensive Annual Financial Report was the basis for determining State liability. Debt not considered a State liability includes debt which is backed by an independent revenue source and separate from the State’s general tax revenues.

**Debt Retirement** The debt from all entities is scheduled to be retired by FY 2031, whereas the State liability debt will be retired by FY 2016. The following chart shows retirement of the balance of current debt based on existing payment schedules.

**Copies Available** Copies of the report are available upon request from the LFB.

STAFF CONTACT: David Reynolds (Ext. 16934)

Iowa Communications Network (ICN) Video Classroom Update



**Classrooms Added** The Iowa Communications Network (ICN) added three interactive video classrooms during December at Solon High School, Oskaloosa Public Library, and Norwalk Public Library. This brings the total number of classrooms to 622. The total number of classrooms that will be included in the Network at the end of the Part III build out is estimated at 800. 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**

# Full-Motion Interactive Video Classrooms

|  |  |
| --- | --- |
| Area Education Agencies | 16 |
| Community Colleges | 94 |
| K-12 School Districts | 331 |
| Other Education | 3 |
| Libraries | 15 |
| Medical Facilities | 8 |
| Private Colleges | 17 |
| Regents Institutions | 24 |
| National Guard | 57 |
| State Agencies | 40 |
| Federal | 14 |
| Miscellaneous | 3 |
| Classrooms Total | 622 |

**Information on Website** This information is updated weekly and is available on the Internet at **http://www.icn.state.ia.us/icn/html/map\_form.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)

Iowa Communications Network Service Contracts

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Contract

**Service Contracts** The Iowa Telecommunications and Technology Commission is required to prepare an annual report for the General Assembly reviewing maintenance contracts for the sites connected to the Iowa Communications Network (ICN) pursuant to Section 8D.3(3)(g), Code of Iowa. As part of the review, which found that appropriate service had been provided by the vendors, an update on the number of sites connected and planned to be connected was provided.

**Sites & Classrooms** The original plan for the ICN authorized the connection of 474 sites. Sites are distinguished from video classrooms because a site may have several classrooms connected to the network. As of December 1, 1998, 385 sites and approximately 615 classrooms had been connected to the Network. An additional 43 sites are expected to be connected prior to the end of FY 1999. This would bring the total connected sites to 428.

**Connections Withdrawn** The reduction in the number and types of sites (46) that have withdrawn their option to connect to the ICN include:

1. Libraries – 37
2. K-12 Schools – 6
3. Other sites – 3

**Reasons** The primary reasons for withdrawal were that the site could not raise sufficient funds for the ICN classroom or that some school districts were in the process of reorganization.

**Copies Available** A copy of the Report can be obtained from the Legislative Fiscal Bureau.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Underground Storage Tank Board Extends Administrator’s Contract

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Contract

**Storage Tank Program** The State Underground Storage Tank (UST) Cleanup Program has been administered since its inception in 1989 by Williams and Company, a private consulting firm from Sioux City. Williams became the administrator through a public bidding process and retained the contract after it was publicly re-bid in 1993. The 1993 contract was for two years, with the option of indefinite one-year extensions at the option of the Board. The contract has been extended annually through December 31, 1998.

**September Action** As part of the process of extending the contract, in September the Board requested information from Williams that would allow the Board to determine how the level of effort required of Williams to administer the Program had changed over the five years since the 1993 contract. Williams and Company, citing possible competitive disadvantages and the flat fee arrangement contained in the contract, refused to provide the information to the Board. Williams and Company refused to provide the information despite two clauses in the contract which read:

 *In addition, in response to any reasonable request of the UST Fund Board, Williams will provide the UST Fund Board with additional documentation which supports Williams provision of services under this Agreement to be used by the UST Fund Board when approving compensation of Williams under the Agreement. (Page 13)*

 *Williams agrees that the Auditor of the State of Iowa or any authorized representative of the UST Fund Board…shall have access to and the right to examine, audit, excerpt and transcribe any directly pertinent books, documents, papers, and records of Williams relating to the performance of this Agreement by Williams, or payment hereunder. (Page 17)*

**Breach of Contract Notif.** At the December 1, 1998, Board meeting, the Board voted to notify Williams and Company that the refusal to provide the information was a breach of contract and gave Williams and Company 30 days to remedy the breach. The Board also voted to begin a Request for Proposal procedure to secure an administrator for the future. After this vote, Williams and Company responded that the information would not be provided, and Williams would not accept a contract extension if the Board insisted the information be provided. These two actions put the Program in the position of possibly being without a Program administrator on January 1, 1999.

**Contract Extended** At the December 18, 1998, Board meeting the Board voted to extend the contract with the private program administrator four months, through the end of April 1999. The Board further voted to proceed with the Request for Proposal and agreed to drop the breach of contract notification.

**Program Adm. Cost** Williams and Company is paid approximately $1.6 million per year to administer the Program. The Program provides funds for remediation of past underground storage tank petroleum contamination as well as insurance in the event of future contamination.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Lottery Revenues and Expenditures Through November



**FY 1999 Lottery Revenues** Through November, FY 1999 Lottery game revenues were $9.6 million above the FY 1998 level. Lottery prize expenses increased $5.9 million, operating expenses increased $1.2 million, and transfers to other State funds increased $3.1 million. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.

| **STATE LOTTERY****July Through November****(Dollars in millions)** |
| --- |
|  |  |  FY 1998 |  | FY 1999 |  | Inc./Decr. |  | % Inc. |
| FY Beg. Balance |  | $ 3.4 |  | $ 3.1 |  | $ -0.3 |  |  |
|  |  |  |  |  |  |  |  |  |
| Game Revenues |  | 64.1 |  | 73.6 |  | 9.6 |  | 14.9 |
| Interest |  | 0.4 |  | 0.3 |  | -0.1 |  | -22.7 |
|  Total Revenue |  | $ 64.5 |  | $ 74.0 |  | $ 9.5 |  | 14.7 |
|  |  |  |  |  |  |  |  |  |
| Prize Expense |  | 37.2 |  | 43.1 |  | 5.9 |  | 15.8 |
| Operating Expense |  | 14.4 |  | 15.5 |  | 1.2 |  | 8.3 |
| Transfer of Profits |  | 12.7 |  | 15.7 |  | 3.1 |  | 24.3 |
|  Total Expense |  | $ 64.2 |  | $ 74.3 |  | $ 10.1 |  | 15.8 |
|  |  |  |  |  |  |  |  |  |
| Year-to-Date Ending Balance |  | $ 3.7 |  | $ 2.8 |  | $ -0.5 |  |  |

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

1. Instant ticket sales decreased $1.6 million (4.5%).



1. Iowa Lotto/Supercash/Pick 3 sales decreased $1.6 million (51.2%).
2. Multi-State Powerball sales increased $11.9 million (102.9%).
3. Multi-State Daily Millions/Cash 4 Life sales decreased $373,000 (16.6%).
4. Daily Game sales decreased $194,000 (9.3%).
5. Pull-tab sales increased $1.5 million (15.8%).

**November Sales** Total Lottery sales for November were above November 1997 by $113,000 (0.9%). November 1998 sales for Powerball, instant tickets, and pull-tabs were above November 1997.



**REC Projections** The December 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 November 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 $3.7 million in sales tax during FY 1999.

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*Issue Review* Released - Financing Changes to the 260E Job Training Program



***Issue Review*** The Legislative Fiscal Bureau (LFB) recently completed an ***Issue Review*** on the status of changes made to the 260E Jobs Training Program in Section 22 of SF 2296 (FY 1999 Economic Development Appropriations Act). The changes related to community college financing and repayment options for projects. The purposes of the ***Issue Review*** were to determine how Iowa’s 15 community colleges interpreted the changes and to compare current estimates of the fiscal impact of the changes to the estimates provided during the 1998 Legislative Session. The ***Issue Review*** included the following information:

1. The annual fiscal impact estimate of the two changes provided during the 1998 Legislative Session was $60,000.
2. The first change allowed community colleges to finance job training projects from their own financial resources (without bonding). All 15 colleges reported no current intention of using the new mechanism.
3. The second change allows community colleges to repay debt financing on projects without sufficient income with certain income from other projects. The 15 colleges estimated the annual fiscal impact of this change to be between $115,000 and $160,000.
4. The fiscal impact will fall on the DED’s Workforce Development Fund through FY 2001. After that year, the impact will fall on the General Fund.
5. If the fiscal impact of the change allows colleges to finance riskier projects, some of which eventually fail to produce the projected revenue, the fiscal impact could grow substantially.

**Copies Available** Copies of the ***Issue Review*** areavailable upon request from the LFB.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

*Issue Review* - Reading Recovery



***Issue Review*** The LFB recently released an ***Issue Review*** providing information about the Reading Recovery Program. The Program provides early intervention for first grade students at risk of reading failure. Efforts of the Program include focusing individual reading assistance for one-half hour daily to students at the bottom 20.0% of the class in reading skills. The goal is to increase reading levels of these students to the average for first grade level. The Program has an 80.0% success rate or better in maintaining reading skills once students graduate from the Program (after approximately 20 weeks).

**Program Funding** Iowa currently invests approximately $200,000 in funding at the State level for the Program. Half goes to the newly established Reading Recovery Center in Des Moines and half is distributed to area education agencies. Several school districts have also invested funds to establish their own programs.

**Copies Available** Copies of the ***Issue Review*** are available upon request from the LFB.

STAFF CONTACT: Mary Shipman (Ext. 14617) Paige Piper/Bach (Ext. 14613)

*Issue Review* - Board of Educational Examiners



***Issue Review*** The LFB recently released an ***Issue Review*** which provides information about the Board of Educational Examiners. The Board is responsible for issuing teacher licenses. The ***Review*** provides background and historical funding information for the Board. In addition, potential recommendations for improving teacher preparation programs being considered by a legislative interim study committee are discussed.

**Copies Available** Copies of the ***Issue Review*** are available upon request from the LFB.

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*Issue Review* - The Iowa Tuition Grant Program



***Issue Review*** The LFB recently released an ***Issue Review*** entitled “The Iowa Tuition Grant Program”. The Review provides background and historical funding information for the Tuition Grant Program, which is administered by the College Student Aid Commission. The Program provides grants to Iowa residents that choose to attend one of Iowa’s independent colleges and universities. Issues discussed include parity in funding between private and public higher education and financial need as it relates to the Program.

**FY 1999 Appropriation** For FY 1999, the Tuition Grant Program received a General Fund appropriation of $44.7 million. The funds are being utilized to provide an average grant of $3,032 to approximately 14,731 students. The maximum grant for FY 1999 is $3,650. The Commission is requesting $48.4 million for the Program for FY 2000, which is an increase of $3.7 million.

**Copies Available** Copies of the ***Issue Review*** are available upon request from the LFB.

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*ISSUE REVIEW* RELEASED - PSEUDORABIES ERADICATION



***Issue Review*** The Legislative Fiscal Bureau (LFB) recently released an ***Issue Review*** examining the progress of pseudorabies eradication in the State of Iowa. The ***Review*** includes a history of the Cooperative State-Federal-Industry Pseudorabies Eradication Program, the uses of State and Federal funds, and a summary of the State’s progress towards pseudorabies eradication.

**Copies Available** Copies of the ***Issue Review*** are available from the LFB upon request (515-281-5279).

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