FISCAL UPDATE March 6, 2000

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

Informational Survey On-line - Budget System Redesign

**Budget System**  The Department of Management (DOM) and the Legislative Fiscal Bureau (LFB) are working together to redesign the State of Iowa’s budget system. The State currently uses a system of collecting information and preparing budget documents, which was created and implemented nearly thirty years ago.

Survey!

**Identifying Needs** We need your assistance in helping us identify which components of a budget system are important to you. The system redesign does not include changes to the actual legislative appropriations process, but system changes should facilitate decision making by the Governor’s Office, Department of Management, and the Legislature.

**Web-based Survey** We have prepared a brief, web-based survey we’d like you to respond to. Your participation is critical to helping us design a system that will come as close as possible to serving the needs of all of our customers.

**Please Complete** Please pass the URL address on to anyone you think would be interested in completing the survey. If you have questions, you can contact Holly Lyons (LFB) at 281-7845 or Kathy Mabie (DOM) at 281-8834.

**URL Address** The URL address is <http://www.infopoll.net/Live/surveys/s6830.htm>

STAFF CONTACT: Holly Lyons (Ext. 17845)

Block Grant Hearing Set

**Public Hearing** A public hearing on the Federal Funds and Block Grant Bill (HF 2533) will be held at 12:00 p.m., March 13, in Room 118 of the Capitol Building, Des Moines, Iowa.

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**Public**

**Hearing**

**Purpose** The purpose of the public hearing is to make available information concerning federal block grants that are being received by the State of Iowa during the State's fiscal year, July 1, 2000, to June 30, 2001, and to receive public comments. The block grants approved under public law are:

* Community Services Block Grant
* Community Development Block Grant
* Substance Abuse Block Grant
* Preventive Health Care and Health Services Block Grant
* Maternal and Child Health Services Block Grant
* Low Income Energy Assistance Block Grant
* Stop Violence Against Women Block Grant
* Drug Control and System Improvement Grant Program Block Grant
* Social Services Block Grant
* Community Mental Health Services Block Grant
* Child Care and Development Block Grant
* Local Law Enforcement Block Grant
* Residential Substance Abuse Treatment for State Prisoners Formula Grant

**Comments Welcome** Members of the public wishing to comment on the block grants will be allotted a time of five minutes and will be scheduled by the Legislative Fiscal Bureau, State Capitol Building, Des Moines, Iowa, 50319, phone (515) 281-5279. Three copies of the speaker's comments should be available at the time of the hearing.

STAFF CONTACT: Valerie Thacker (Ext. 15270)

HF 2533 - Block Grant and Federal Funds Bill passes House Appropriations



**HF 2533 – Block Grant Bill** House File 2533 passed the House Appropriations Committee on March 1. The Bill provides the mechanism for the State to receive $140.9 million in federal block grant funds, including the following:

* Substance Abuse: $12.5 million.
* Community Mental Health Services: $3.1 million.
* Maternal and Child Health Services: $7.0 million.
* Preventive Health and Health Services: $1.9 million.
* Drug Control and System Improvement Grant Program: $5.8 million.
* Stop Violence Against Women Grant Program: $1.7 million.
* Local Law Enforcement Block Grant Program: $320,000.
* Residential Substance Abuse Treatment for State Prisoners Formula Grant Program: $520,000.
* Community Services: $5.7 million.
* Community Development: $29.9 million.
* Housing and Urban Development (Federal 1998 Supplemental Appropriations and Recissions Act): $3.2 million.
* Low-Income Home Energy Assistance: $20.0 million.
* Social Services: $18.8 million.
* Child Care and Development Fund: $30.4 million.

**Categorical Funds** The Bill also provides the mechanism for State agencies to receive $2.488 billion in categorical federal and nonstate funds.

**NOBA**

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

STAFF CONTACT: Valerie Thacker (Ext. 15270) Russ Trimble (Ext. 14613)

SF 2416 - Oil Overcharge Bill Passes Senate Appropriations

**SF 2416 - Oil Overcharge** The Senate Appropriations Committee passed SF 2416 (Oil Overcharge Appropriations Bill) on February 29. The Bill appropriates petroleum overcharge funds for FY 2001 to the Department of Human Rights and the Department of Natural Resources. The Bill:



* Appropriates $350,000 to the Department of Human Rights from the Stripper Well Fund for qualifying energy conservation programs for low-income housing. This is no change compared to the FY 2000 appropriation.
* Appropriates $40,000 to the Department of Human Rights from the Exxon Fund for qualifying energy conservation programs for low-income housing. This is a decrease of $170,000 compared to the FY 2000 appropriation.
1. Appropriates $60,000 from the Exxon Fund to the Department of Natural Resources for energy conservation and extension purposes. This is an increase of $10,000 compared to the FY 2000 appropriation.
2. Appropriates $150,000 from the Stripper Well Fund to the Department of Natural Resources for administrative functions. This is a decrease of $25,000 compared to the FY 1999 appropriation.

**NOBA**

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

STAFF CONTACT: Deb Kozel (Ext. 16767)

SF 2141 - Merchant Marine Bonus Passes Senate Appropriations

**SF 2141 - Merchant Marine**  Senate File 2141 (Merchant Marine Bonus) passed the Senate Appropriations Committee on February 29. The Bill creates a Merchant Marine Bonus Fund and appropriates $150,000 from the General Fund for FY 2001 to provide bonuses to eligible World War II merchant marines or eligible dependents of such merchant marines.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments are available from the Legislative Fiscal Bureau.

STAFF CONTACT: Valerie Thacker (Ext. 15270)

HF 2496 - Supplementary weighting Bill Passes House Floor

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**HF 2496-Suppl. Weighting** House File 2496 passed the House Floor on March 1. The Bill provides that school districts receive an additional supplementary weighting for students that is based on an at-risk poverty weight and an enrollment weight. The Bill also provides that for FY 2001-2003, eligible school districts will receive a guarantee amount based on dollars received for supplementary weighting during FY 2000. The guarantee amount is 100.0% in FY 2001, 75.0% in FY 2002, and 50.0% in FY 2003.

**Fiscal Estimate** The estimated cost of the supplementary weighting program will be $12.1 million in FY 2001. Of that amount, approximately $900,000 has previously been built into the FY 2001 allowable growth estimate. The new State aid portion of this Bill is estimated to be $9.8 million and the new property tax portion is estimated to be $1.4 million.

**District Estimates** District-by-district estimates for FY 2001–FY 2004 are available from the Legislative Fiscal Bureau.

**NOBA**

**Bill Summary** Copies of the Notes on Bills and Amendments are available from the Legislative Fiscal Bureau.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

Justice System Bills Pass Senate

**Justice System Bills** During the week of February 28, the Senate passed a number of bills dealing with crimes, corrections, and the justice system. The following four bills had a significant fiscal or correctional impact:



**Victim Compensation Senate File 2142** relates to victim eligibility for Victim Compensation Fund benefits. The Bill adds compensation for parents or caretakers of a dependent victim for lost wages caused by the dependent victim’s medical and counseling appointments and for lost wages of victims, parents, and caretakers for meetings with law enforcement and prosecutors in relation to criminal proceedings. Compensation for health care and lost wages for relatives of homicide victims is limited to a specific list of relatives. Crime scene cleanup reimbursements are expanded to include crimes other than homicide. These changes are projected to create annual costs for the Victim Compensation Fund of $96,000 for lost wages due to medical and counseling appointments, $288,000 for lost wages associated with criminal justice meetings and procedures, and $3,000 for crime scene cleanup.

**Lascivious Acts with Child Senate File 2265** imposed an additional mandatory sentence of up to two years of parole or work release after the completion of the prison sentence for persons convicted of lascivious acts with a child. Recently, 87.0% of these offenders have expired their sentences in prison and have returned to the community without supervision. After full implementation, this Bill is expected to create annual costs of $123,000 for the Community-Based Corrections District Departments (CBC) and $31,000 for the prisons, due to offenders being returned to prison for parole and work release violations.



Earned Time

 **“Earned Time” Senate File 2276** changes “good conduct time” to “earned time” and provides that inmates will accumulate earned time through good conduct and positive participation in treatment programming. Currently, the maximum good conduct time is calculated when the inmate enters the prison system and then deductions are made if the inmate violates prison rules. The method for calculating earned time also is modified such that inmates can receive up to 13 more days of earned time per year. If all inmates receive the maximum earned time, there will be an annual savings of 61,000 inmate days. This translates into a maximum cost savings of approximately $726,000 annually for the prisons.

**Penalty Reductions Senate File 2325** reduces the penalties for forgery and for third degree burglary and attempted burglary perpetrated upon an unoccupied motor vehicle, truck, or vessel. By FY 2005, the Bill will reduce prison populations by 435 inmates and CBC populations by 126 clients. Jail populations will increase by 34 inmates by FY 2005. The projected savings in State funds is $582,000 in FY 2001, $1.8 million in FY 2002, and $2.2 million in FY 2005. County costs statewide are projected to increase by $76,000 in FY 2001 and $152,000 in FY 2002. The county costs will continue at the FY 2002 level in the future.

**First Degree Burglary** The Bill also makes first degree burglary an “85.0% sentence” crime, allowing offenders to receive a maximum of 15.0% of their sentences as earned time. This change has long-term effects. By FY 2011, there will be an additional 83 inmates in the prison system due to this provision of the Bill. By FY 2021, another 130 inmates will be added, bringing the twenty-year total impact of the “85.0% sentence” to 213 additional inmates in the prisons.

**Fiscal Notes/Impact Stmts.** Correctional impact statements and fiscal notes with more detail about the estimates are available on the Legislature’s website and from the Legislative Fiscal Bureau (281-5279).

STAFF CONTACT: Dwayne Ferguson (Ext. 16561) Beth Lenstra (Ext. 16301)

Administration and Regulation Appropriations Subcommittee

**Admin./Regulation Sub.** The Administration and Regulation Subcommittee met March 1. Copies of the subcommittee bill and spreadsheets were distributed and reviewed by Representative Brunkhorst. Departments were invited to schedule a time with the Subcommittee to discuss the contents of the bill.

STAFF CONTACT: Christina Schaefer (Ext. 16765) Ron Robinson (Ext. 16256)

Human Services Appropriations Subcommittee

**Human Services Sub**. The Human Services Appropriations Subcommittee met the week of February 28 and conducted the following business:

#### FY 2001

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**Budget Review** March 1: Staff of the Legislative Fiscal Bureau and the Department of Human Services reviewed the differences between the FY 2000 Human Services Appropriations Act (HF 760) and the proposed Governor’s FY 2001 Human Services Appropriations Bill.

**Discussion** March 2: House and Senate members of like political parties met separately during the Subcommittee time.

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

Oversight and Communications Appropriations Subcommittee

**Oversight/Communications** The Oversight and Communications Appropriations Subcommittee met March 1. The Subcommittee heard a presentation on telephone service options from Robert Townsend, SOSINC Communications. The company is based in Sioux City, Iowa.

**Voice Communications** The company discussed the application of voice communications over the Internet and potential savings that could result from such an application for communications between State offices around Iowa. The company offered to conduct a demonstration project with the new technology they have created at no cost to the State.

**Demonstration Project** The Subcommittee will discuss the potential for a demonstration project as the Subcommittee appropriations bill is being discussed.

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

Road Use Tax Fund Revenues Through February



**Road Use Tax Fund** Road Use Tax Fund receipts for the first eight months of FY 2000 were up $30.4 million (4.9%) compared to the same period of FY 1999. Motor Vehicle Use Tax revenues are up $18.4 million, a 15.4% increase. The increase in Motor Vehicle Use Tax receipts continues to be driven largely by strong auto sales and legislative changes that transferred funding for the State Patrol from Use Tax to the General Fund. The State Patrol received $9.7 million from the Motor Vehicle Use Tax in FY 1999. Beginning in FY 2000, the State Patrol is being funded entirely from the General Fund.

**Auto & Truck Sales Receipts** The most recent six-month period for new truck and auto sales shows that sales from July 1999 through December 1999 have increased 13.9% compared to the same six-month period of the prior year. Additionally, sales of multipurpose vehicles, which includes sport utility vehicles, were up 16.8% compared to the previous year.

**Registration Fees** Registration and title fees for the first eight months of FY 2000 increased $9.7 million (5.0%) compared to the same period of FY 1999. The increase in vehicle registration fees is largely attributed to the increase in the price of vehicles being registered. This also corresponds with the increases in car and truck sales.



**Motor Vehicle Fuel Tax** Motor Vehicle Fuel Tax revenues show an increase of only $1.0 million (0.4%) compared to the same period for FY 1999. The small rate of growth may be attributed to two factors: total fuel sales and an increase in the market share of ethanol.

* Total fuel sales for gasoline, ethanol, and diesel, for the period of July 1999 to January 2000, were only 1.1% higher than the same seven-month period of the previous year.
* The sale of ethanol blended fuel has increased 4.6%, whereas regular gasoline sales have experienced a decrease of 2.9%. This has caused the market share of ethanol to increase from 41.7% during the first seven months of FY 1999 to 43.5% in FY 2000. Because ethanol is taxed at a penny less than gasoline, increasing the market share of ethanol will decrease fuel taxes.



**Other Revenues** Other revenue types combined have experienced an increase of $1.3 million (3.9%) in FY 2000. Driver license fees were up $2.5 million (38.0%) compared to the first eight months of FY 1999. This increase is primarily due to the normal license issuance cycle. Driver’s license receipts are projected to be $4.5 million (42.9%) higher by the end of the fiscal year in FY 2000 than in FY 1999. Changes in other revenue sources were relatively insignificant in terms of total dollar changes.

**Comparison to FY 1999** The following table compares the Road Use Tax Fund receipts for FY 1999 and FY 2000 by revenue source. The sum of the revenues may not equal totals due to rounding.

 *Note: For Road Use Tax Fund reporting, receipts are considered in the month for which they are distributed by formula rather than the month in which they are collected. For example, February revenues were collected in January but distributed to the various State and local road funds in February.*

STAFF CONTACT: David Reynolds (Ext. 16934)

Higher Education Report Card



**Evaluation of Higher Ed.** This fall, the National Center for Public Policy and Higher Education will evaluate all 50 states on how well they deliver higher-education services. States will be given a letter grade on:

* Preparation – how well do the states prepare students for college?
* Participation – how well do the states provide opportunities for postsecondary education?
* Affordability – how affordable is higher education for students and families?
* Persistence – how well do colleges retain and graduate students?
* Education Gains – do states have skilled workers, economic gains, and civic benefits as a result of a more highly educated population?

**Educ. Finance Seminar** Legislators and staff who were participants at the National Conference of State Legislatures’ Education Finance Seminar in Napa, CA, during February had the opportunity to hear a presentation from the National Center on development of the Report Card and voice questions and concerns.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Iowa Prison Populations

**Prison Population** The following chart shows the monthly prison populations since the beginning of FY 1999.

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 Note: The 101 women housed out-of-state during FY 1999 and FY 2000 are included in the above totals.



**Population Peak** The Iowa prison population peaked on December 15, 1998, with 7,600 inmates. Due to changes in probation revocation practices and Parole Board policies, the population decreased throughout calendar 1999. During this period, new court commitments continued to increase. The prison population reached a low of 7,207 on September 29, 1999.

**Growth Since December** While it is too early to confirm a change in the population trend, it appears that in December 1999, the prison population began to grow again. The prison population grew by nine inmates in December, by 45 inmates in January, and by 71 inmates in February. If the growth of the last two months continues through the end of the fiscal year, the inmate population will be close to the Criminal and Juvenile Justice Planning Division’s projection of 7,587 inmates at year’s end.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)