FISCAL UPDATE March 13, 2000

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

 Status of Appropriations Bills

| **Appropriations Subcommittee Bills** |
| --- |
| **Appropriations Subcommittee** |  | **LSB/File #** |  | **Status** |
| Admin./Regulation |  | LSB 5373 |  | Passed House Approps. on March 9. |
| Ag./Natural Resources |  |   |  | In Joint Subcommittee. Bill starts in Senate. |
| Economic Development |  |   |  | Passed Joint Subcommittee on March 9. Bill starts in Senate. |
| Education |  |   |  | In Joint Subcommittee. Bill starts in House. |
| Health/Human Rights |  |  SSB 3216 |  | Passed Joint Subcommittee on March 8. Bill starts in Senate. |
| Human Services |  |  |  | In Joint Subcommittee. Bill starts in Senate. |
| Justice System |  |  |  | In Joint Subcommittee. Bill starts in House. |
| Oversight & Comm. |  |  |  | In Joint Subcommittee. Bill starts in Senate. |
| Trans., Infrastruc- ture, & Caps. |  | HF 2538 |  | Transportation Appropriations Bill House Approps. on March 6. Infrastructure Bill in Joint Subcommittee. Bill starts in Senate. |

STAFF CONTACT: Holly Lyons (Ext. 17845)

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **IN THIS ISSUE:** | Status of Appropriations Bills, pg. 1 | HF 2538 – Transportation Approps. Bill, pg. 8 |
|  | **Appropriations Subcommittees:** | SF 2303 – Judicial Administration, pg. 9 |
|  |  Administration/Regulations, pg. 2 | SF 2371 – Improving Watershed Attributes, pg. 9 |
|  |  Agriculture/Natural Resources, pg. 3 | SF 2411 – Public Retirement Systems, pg. 11 |
|  |  Economic Development, pg. 4 | Informational Survey–Budget Syst. Redesign, pg. 13 |
|  |  Health & Human Rights, pg. 5 |  |
|  |  Human Services, pg. 8 |  |
|  |  Oversight/Communications, pg. 8 |  |
|  |  |  |

ADMINISTRATION AND REGULATION APPROPRIATIONS subcommittee and the house appropriations committee approve lsb 5373JA - administration and regulation appropriations bill

**Admin./Regulation Sub.** The Administration and Regulation Appropriations Subcommittee met March 8 and approved proposed FY 2001 appropriations for agencies in the Subcommittee, and on March 9, the House Appropriations Committee also granted approval.



**Bill Approved** LSB 5373JA (Administration and Regulation Appropriations Bill) appropriates $88.1 million from the General Fund and 1,903.9 FTE positions. This is a decrease of $2.6 million (2.9%) and 16.1 (0.5%) FTE positions compared to the adjusted FY 2000 appropriation. Significant changes include:

**Inspections & Appeals** Department of Inspections and Appeals

* Decreases the appropriation for Racetrack Regulation by a $73,000 general reduction.

**Dept. of Management** Department of Management

* Decreases the appropriation to the General Office by $100,000 for budget redesign.
* Decreases the appropriation to the General Office by $181,000 due to the repeal of the Council on Human Investment.
* Eliminates the $84,000 appropriation for the Council of State Governments dues.
* Eliminates the $75,000 appropriation for Replacement Property Tax Administration.

**Dept. of Personnel** Department of Personnel

* Decreases the appropriation for the Administration and Program Operations Unit by $103,000 due to the realignment from three appropriations to two and a general reduction.

**Dept. of Revenue & Finance** Department of Revenue and Finance



* Decreases the appropriation for the Compliance Division by $151,000 to be assessed for local sales and service tax administration.
* Decreases the appropriation for the Compliance Division by a $147,000 general reduction.
* Decreases the appropriation for the Compliance Division by $107,000 due to the elimination of 4.0 FTE positions that have been vacant for one year.
* Decreases the appropriation for the State Financial Management Division by $188,000 to be assessed for local sales and service tax administration.
* Decreases the appropriation for the State Financial Management Division by a $162,000 general reduction.
* Decreases the appropriation for the State Financial Management Division by $77,000 due to the elimination of 3.0 FTE positions that have been vacant for one year.
* Decreases the appropriation for the Internal Resource Management Division by $43,000 to be assessed for local sales and service tax administration.
* Increases the appropriation for the Internal Resource Management Division by a $167,000 general increase.
* Decreases the appropriation for the Internal Resource Management Division by $149,000 due to the elimination of 4.0 FTE positions that have been vacant for one year.

**Treasurer** Treasurer of State

* Decreases the appropriation to the Treasurer of State by $103,000 due to the reallocation of expenses to the Iowa Educational Savings Plan.
* Increases the appropriation to the Treasurer of State by $250,000 for the Iowa Educational Savings Plan.

**NOBA**

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

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

Agriculture and Natural Resources Appropriations Subcommittee

**Agric./Natural Res. Sub.** The Agriculture and Natural Resources Appropriations Subcommittee met March 7 and 8 and conducted the following business:

**Ag./Land Stewardship** On March 7, Patty Judge, Secretary of Agriculture, explained to the Subcommittee that budget cuts were not realistic for FY 2001, as there are no additional funds to spend. Expenditures discussed included international travel and charges from other State agencies that increased annually without notification. There was a discussion on grain exports from Iowa and the standards set by the United States Department of Agriculture Grain Graders Council.

**Dept. of Natural Resources** On March 8, Paul Johnson, Director of the Department of Natural Resources, explained to the Subcommittee that budget cuts were not realistic, as Iowa ranked last in the United States for the amount of money spent on environmental issues. He explained there were not enough field personnel to provide adequate services to the citizens of Iowa. Other topics discussed include manure management plans, the application of nitrogen and phosphorus, and water quality.

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

Economic Development Appropriations Subcommittee Approves FY 2001 Appropriations Bill

**Bill Passed** On March 9, the Economic Development Appropriations Subcommittee passed a joint Subcommittee Bill. The Bill appropriates $36.8 million and 1,266.9 FTE positions, a decrease of $4.9 million (11.7%) and an increase of 7.2 FTE positions (0.6%) compared to adjusted FY 2000.

**Economic Development** The Bill **a**ppropriates a total of $21.4 million from the General Fund and 206.8 FTE positions to the Department of Economic Development, a decrease of $3.5 million (14.0%) and an increase of 18.5 FTE positions (9.8%) compared to the adjusted FY 2000 appropriation. Major changes include:



* A general decrease of 4.0% from the original FY 2000 level for all appropriations.
* An increase of $250,000 for a new Accelerated Career Education (ACE) tuition assistance grant program.
* An increase of $80,000 and 1.0 FTE position to expand the Iowa Commission on Volunteerism.
* A decrease of $464,000 and 6.0 FTE positions to move a majority of the functions of the Small Business Resource and Procurement Offices to the Small Business Development Centers at Iowa State University.
* An increase of $50,000 and 1.0 FTE position to add a business liaison position to assist companies with immigration issues.
* A decrease of $50,000 for the Graphic Arts Center.
* A decrease of $1.4 million for the Strategic Investment Fund. In addition, the Bill moves funding for the Value Added Agriculture Products and Processes Program to the Strategic Investment Fund. Current Code of Iowa requirements would switch funding for that Program from the motor vehicle use tax to the General Fund beginning in FY 2001.
* A decrease of $1.2 million for housing assistance federal matching funds. The Bill replaces the reduced General Fund appropriation with $1.2 million in revenue from the Iowa Finance Authority.



* An increase of $55,000 to place computers in private Welcome Centers.
* An increase of 22.5 FTE positions for the Iowa Finance Authority to allow the Authority to assume responsibility for certain federal housing programs. The majority of the positions would be financed with federal funds.

**Board of Regents** The Bill appropriates a total of $7.7 million from the General Fund and 73.8 FTE positions to seven Board of Regents programs, a decrease of $113,000 (1.4%) and an increase of 1.0 FTE position (1.4%) compared to the adjusted FY 2000 appropriation. Major changes include:

* A general decrease of 4.0% from the original FY 2000 level for all appropriations.
* An increase of $200,000 for the Small Business Development Centers to assume some of the responsibilities of the Department of Economic Development’s Small Business Resource and Procurement Offices.



**Workforce Development** The Bill appropriates a total of $6.5 million from the General Fund and 973.6 FTE positions to the Department of Workforce Development, a decrease of $1.5 million (18.9%) and 12.3 FTE positions (1.2%) compared to the adjusted FY 2000 appropriation. The major changes include:

* A general decrease of 4.0% from the original FY 2000 level for all appropriations.
* A decrease of 1.5 FTE positions to align Labor Division FTE position authorization with resources.
* A decrease of $1.2 million due to elimination of the Workforce Development Areas appropriation. That Program is converted to the New Employment Opportunities Fund and financed with a $1.5 million appropriation from the Unemployment Administration Surcharge Fund.
* A decrease of 10.5 FTE positions funded through the Unemployment Administration Fund. The reduction is due to a decrease in federal funds.
* A decrease of $69,000 and 0.3 FTE position due to elimination of the Labor-Management Coordinator appropriation.

**PER Board** The Bill appropriates $887,000 from the General Fund and 12.8 FTE positions to the Public Employment Relations (PER) Board, a decrease of $25,000 (2.8%) and no change compared to the adjusted FY 2000 appropriation.

**NOBA**

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

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Health & Human Rights Appropriations Subcommittee Approves FY 2001 Appropriations Bill



**Health/Human Rights Sub.** On March 8, the Health and Human Rights Appropriations Subcommittee passed LSB 5372. The Bill appropriates $87.6 million from the General Fund and 1,473.7 FTE positions, a decrease of $7.5 million and an increase of 26.9 FTE positions compared to the adjusted FY 2000 appropriation. The Bill provides funding to seven agencies: Department for the Blind, Civil Rights Commission, Department of Elder Affairs, Governor’s Alliance on Substance Abuse, Department of Public Health, Department of Human Rights, and Commission on Veterans Affairs. General Fund changes compared to the adjusted FY 2000 appropriation include:

**Dept. of Elder Affairs** Department of Elder Affairs

* Increases the appropriation by $16,000 to expand existing Retired Senior Volunteer Programs (RSVP).
* Increases the appropriation by $60,000 and 1.0 FTE position compared to the adjusted FY 2000 appropriation for an additional long-term care ombudsman.

**Dept. of Public Health** Department of Public Health

* Decreases the appropriation to the Addictive Disorders Program by $8.7 million. The decrease is partially offset by a $1.2 million allocation from the Gambling Treatment Fund appropriation to the Department of Public Health.
* Decreases the appropriation to the Adult Wellness Program by $55,000 to eliminate funds for the Mid-Level Practitioners Project.
* Decreases the appropriation to the Child and Adolescent Wellness Program by $60,000 to reduce funds for the Physician Care for Children Program due to Healthy and Well Kids in Iowa (HAWK-I) Program coverage.



* Increases the appropriation to the Public Protection Program by $155,000 to provide funds for a Deputy State Medical Examiner from the General Fund. In FY 2000, the position was funded by an allocation of 0.3% of the gross sum wagered at pari-mutuel tracks.
* Increases the appropriation to the Public Protection Program by $208,000 and 3.0 FTE positions to be allocated to the Board of Medical Examiners for disciplinary functions.
* Increases the appropriation to the Public Protection Program by $65,000 and 2.0 FTE positions to be allocated to the Board of Medical Examiners for licensure functions.
* Increases the appropriation to the Resource Management Program by $30,000 for a medical records privacy taskforce.
* Appropriates $3.8 million from the Gambling Treatment Fund to the Department of Public Health. Requires allocations to the Addictive Disorders Program, public health nursing, and the Community Action Agencies Division of the Department of Human Rights. Allocates the remainder for the Gambling Treatment Program.
* Allocates $400,000 from the Gambling Treatment Fund appropriation to the Department of Public Health for local public health nursing and home care aid/chore programs.

**Dept. of Human Rights** Department of Human Rights



* Allocates $100,000 from the Gambling Treatment Appropriation to the Community Action Agencies Division for outreach efforts for the Healthy and Well Kids in Iowa (HAWK-I) Program.
* Increases the appropriation to the Administration Division by $44,000 and 1.0 FTE position for a Secretary III compared to the adjusted FY 2000 appropriation.
* Increases the appropriation to the Administration Division by $40,000 compared to the adjusted FY 2000 appropriation for an outreach program for Southeast Asian and Pacific Islanders.
* Increases the appropriation to the Persons with Disabilities Division by $20,000 to increase safety precautions at the Youth Leadership Forum.

**Veterans Home** Iowa Veterans Home



* Increases the appropriation to the Iowa Veterans Home by $44,000 for food and dietary supplies.
* Increases the appropriation to the Iowa Veterans Home by $55,000 for cost adjustments to the contract for housekeeping services.
* Increases the appropriation to the Iowa Veterans Home by $370,000 for lease of personal computers.
* Increases the appropriation to the Iowa Veterans Home by 23.0 FTE positions to annualize positions needed for dietary services, which returned to State employees on October 1, 1999.
* The Bill includes the following intent language and/or changes to the Code of Iowa:

Permits the Boards of Medical Examiners, Dental Examiners, Nursing Examiners, and Pharmacy Examiners of the Department of Public Health to retain a specified amount of fees collected to be used for relocation expenses during FY 2001.

Extends the Scope of Practice Review Project until June 30, 2002. Permits the Department to contract with a school or college of public health to assist in implementing the project.

Permits the Iowa Veterans Home to retain drug reimbursements from the federal Department of Veterans Affairs to be used for pharmaceutical-related expenses at the Home.

Permits the Department of Public Health to retain up to $100,000 from fees collected by the Board of Medical Examiners during FY 2000 to improve licensure functions.

Creates an assisted living certification fund in the State treasury under the authority of the Department of Elder Affairs and permits the Department to retain and invest the assisted living certification and blueprint review fees collected as well as interest earned. Specifies that the fund is to be considered separate from the State General Fund.

Permits the Department of Public Health to collect and retain autopsy fees to be used for purposes of the State Medical Examiner’s Office.

**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)

Human Services Appropriations Subcommittee

**Human Services Sub.** The Human Services Appropriations Subcommittee met March 7 for general discussion. Following adjournment, the members caucused to review budgetary matters.

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

Oversight and Communications Appropriations Subcommittee

**Oversight/Commun. Sub.** The Oversight and Communications Appropriations Subcommittee met March 8 and discussed a draft bill.

**Bill Draft** Staff of the Legislative Fiscal Bureau explained the Bill. The draft bill would appropriate $21.6 million and 244.6 FTE positions from the General Fund. This is a decrease of $2.0 million and 26.0 FTE positions compared to the adjusted FY 2000 appropriation.

**Discussion** The Subcommittee discussed the reductions and intent language in the Bill. The Subcommittee will meet March 13 to consider amendments to the Bill draft.

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

House Appropriations Committee Passes the Transportation Appropriations Bill



**HF 2538 - Transportation Bill**  The House Appropriations Committee amended and passed the Transportation Appropriations Bill (HF 2538) on March 6. The Bill, as amended, appropriates a total of $268.1 million and 3,859.5 FTE positions, which includes $3.1 million from the General Fund, $36.9 million from the Road Use Tax Fund, and $228.1 million from the Primary Road Fund. This is an increase of $4.5 million (1.7%) and 26.0 FTE positions (0.7%) compared to the adjusted FY 2000 appropriation. The changes made by the Appropriations Committee include:

**Membership Continued** North America’s Superhighway Corridor Coalition:An increase of $50,000 from the Road Use Tax Fund to continue membership in the North America’s Superhighway Corridor Coalition, which promotes the use of Interstates 35 and 29 as the primary north/south route for transporting goods between Mexico and Canada.

**License Plate Fees** License Plates Fees for Disabled Veterans: Amendment to the Code of Iowa to allow disabled veterans to obtain special or personalized license plates by paying the difference between the fee for a regular registration plate and the fee for the special or personalized plate.

**Fee Refunds** Refunds of Fees:Allows the Department of Transportation to conduct a pilot project at two driver’s license stations concerning the waiving or refunding of fees collected for driver’s license renewals and duplicates. Under the pilot project, if the Department determines that the service standard for timely issuance has not been met or an error on a license requires the applicant to return to the driver’s license station, the fee may be waived or refunded.

**NOBA**

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

STAFF CONTACT: Robin Madison (Ext. 15459) David Reynolds (Ext. 16934)

SENATE FILE 2303 - Judicial Administration

**SF 2303 - Judicial Admin.** The Senate passed SF 2303 (Judicial Administration) March 9. The Bill makes changes in the manner of making certain quasi-judicial appointments and makes changes relating to benefits applicable to Judicial Branch employees.

**Transferring Duties** Provisions relating to transferring certain duties to the county board of supervisors and shifting authority to make certain appointments to the chief judge that do not have a fiscal impact.

Pay & Benefits



**Pay & Benefits Plan** Section 9 of the Bill requires the pay and benefits plan of Court employees to be set within the funds appropriated by the General Assembly. If the Supreme Court makes any changes to the pay and benefits plan, the Judicial Branch is required to cover any resulting increase in expenses within its current budget. If the Supreme Court elects to provide the same benefits to staff who are exempt from collective bargaining as those staff who are covered by a collective bargaining agreement, there will be a fiscal impact. The current bargaining agreement provides covered staff with the retirement option of converting accrued sick leave to insurance benefits, rather than accepting the dollar value of sick leave up to $2,000. Future pay and benefit changes that may be negotiated are unknown. Any future changes to Judicial Branch pay and benefits will be funded through the legislative appropriations process.

**Fiscal Impact** If the Supreme Court chooses to implement the retirement option, the cost to the Judicial Branch’s operating budget is estimated to be approximately $91,000 during FY 2001, $119,000 during FY 2002, $132,000 during FY 2003, and $159,000 during FY 2004.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Senate File 2371 - Initiative on Improving Our Watershed Attributes Passes Senate floor

**Watershed Attributes** The Senate passed SF 2371 (Initiative on Improving Our Watershed Attributes) March 7. The Bill implements a number of programs in the Department of Agriculture and Land Stewardship and the Department of Natural Resources. State funding includes $9.5 million from the Rebuild Iowa Infrastructure Fund (RIIF) and $1.9 million from the Fish and Game Protection Fund. Federal funding and other sources of funds are estimated at $81.7 million. Programs included are:



* A conservation buffer strip program that encourages landowners to enroll in the United States Department of Agriculture (USDA) Natural Resources Conservation Reserve Program and the establishment of a prairie seed and harvest program. State funding includes $1.7 million from the RIIF and $1.9 million from the Fish and Game Protection Fund. Federal funding includes $60.3 million in federal funds from the USDA.
* A Conservation Reserve Enhanced Program (CREP) that provides incentives for wetlands development. The Departments will request waivers from the USDA to maintain conservation efforts currently in place. The estimated cost is $600,000 from the RIIF and $2.4 million in federal funds from the USDA.
* The expansion of the Water Quality Monitoring Network to provide reliable information on the quality of Iowa’s waters. The estimated cost is $1.4 million from the RIIF and $500,000 in federal funds from the Environmental Protection Agency (EPA) and $600,000 from other funds.
* The expansion of the Iowa Watershed Protection Program in conjunction with the EPA. There was an appropriation of $1.3 million in FY 2000 for this Program from the RIIF. Additional funds will provide resource protection for flood control, water quality, erosion control, and natural resource conservation. The estimated cost is $1.4 million from the RIIF and $3.3 million in EPA federal funds and private funds.



* The implementation of the Nutrient Management Program that demonstrates crop and livestock management techniques. The Program will be in coordination with community colleges and Iowa State University. The estimated cost is $700,000 from the RIIF and is estimated to save producers approximately $8.0 million from the reduction of nitrogen used in fertilizer.
* Writing demonstration grants is estimated to cost $50,000 from the RIIF, which will generate $500,000 in USDA federal grant moneys from the Sustainable Agriculture Research and Education Program.
* Establishment of financial assistance for permanent soil and water conservation practices is estimated to cost $2.0 million from the RIIF and $2.0 million from landowner matching funds.
* Establishment of a Septic Tank Program that will provide low-cost loans to homeowners for wastewater system improvements located outside of the city limits is estimated to cost $600,000 from the RIIF and $2.4 million in EPA federal funds.



Water Quality

* The increased collection of watershed data for Geographic Information Systems (GIS) is estimated to cost $130,000 from the RIIF.
* Enhancement of water quality planning, standards, and assessment is estimated to cost $300,000 from the RIIF.
* Enhancement of floodplain protection by providing educational programs and information to local officials is estimated to cost $250,000 from the RIIF.
* Implementation of Total Maximum Daily Load (TMDL) measurements as required by the EPA is estimated to cost $140,000 from the RIIF.
* Expansion of the volunteer water quality monitoring program is estimated to cost $70,000 from the RIIF and save approximately $700,000 from volunteer workers.
* Writing grants in the Department of Agriculture and Land Stewardship is estimated to cost $50,000 from the RIIF, which will generate $500,000 in federal funds from the North America Wetlands Conservation Act.
* The Wetlands Conservation Project is estimated to cost $150,000 from the RIIF, $300,000 from the North America Wetlands Conservation Act, and $150,000 from other funds.

**Funding** The Transportation, Infrastructure, and Capitals Appropriations Subcommittee will appropriate funding for these Programs.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Senate File 2411 - Public Retirement Systems

**Public Retirement Bill** The Senate amended and passed SF 2411 (Public Retirement Systems Bill) on March 9. The Bill contains numerous technical, definition, and procedural changes for the four State retirement systems. The following discussion will identify the changes that involve costs or other significant changes to the systems.

Retirement



**Pension Costs & Contr. Rates** Pensions are based on the retiree’s average salary at retirement, number of years of service, and age at retirement. Pension costs and contribution rates are stated in terms of percentage of covered salary. Because the State’s retirement systems project earnings conservatively, contribution rates and investments normally generate assets in excess of what is needed to pay pension benefits. This excess is referred to as “available margin.” In the past, the legislature has used the excess assets to improve benefits for the systems’ members. Special occupation groups within the Iowa Public Employees’ Retirement System (IPERS) are treated somewhat differently. The IPERS special occupation groups have benefits similar to the other two public safety retirement systems. Their contribution rates fluctuate to pay for the benefits they receive due to their participation in public safety-related occupations, which are in addition to the benefits of regular IPERS members.

**Changes to POR** Public Safety Peace Officer’s Retirement, Accident, and Disability System (POR) has an available margin of 12.9% of covered payroll. The following enhancements cost approximately 10.0% of covered payroll. No change in contribution rates will be needed to make these enhancements. The major changes are:

* Increasing the average final compensation from 60.0% to 60.5%.
* Increasing the credit for up to 10 years of additional service beyond the standard 22 years from 1.5% to 2.75% per additional year.
* Granting credit of 1.5% for additional years of service beyond 22 years to currently retired POR members. Persons retired prior to July 1, 1990, did not receive credit for additional years of service, and those retiring between July 1, 1990, and July 1, 1996, received varying amounts of credit.
* Increasing the death benefit for surviving spouses.
* Increasing the pension escalators for retired members.
* Creating a Line of Duty Death Benefit of $100,000 paid to beneficiaries or the member’s estate if the member is killed or dies of traumatic injuries incurred in the line of duty. Provisions for exclusions are included.

**IPERS Changes** Iowa Public Employees’ Retirement System (IPERS) measures the cost of enhancements in terms of the years to amortize and pay off those costs given current contribution rates and actuarial assumptions. Twenty-years amortization has been accepted as the number of years that is comparable to the concept of “available margin.” The actuary has determined that for FY 2001, IPERS benefits require 20 years to amortize current pension obligations, so there is no excess available in FY 2001. If IPERS investments realize the projected 7.5% return next year, the years to amortize the pension obligation costs will decrease to one year and enhancements can be made in FY 2002. The major changes in SF 2411 are:

* Modifying the formula that reduces the pension benefit for higher paid employees and ending the formula reduction one year early, in FY 2002. Currently the reduction is applied to employees with a three-year average covered wage of $55,000. The Bill increases the ceiling to $65,000 in FY 2001 and to $75,000 in FY 2002. The cost of this change is immaterial.

Retirement



* Enhancing disability benefits for special occupation group members, to be paid for with increased contributions by the employers (60.0% of the cost) and the employees (40.0% of the cost).
* Creating a Line of Duty Death Benefit of $100,000 for special occupation group members. The benefit is to be paid to beneficiaries or the member’s estate if the member is killed or dies of traumatic injuries incurred in the line of duty. The cost of this enhancement will be paid by increased contributions by the employers (60.0% of the cost) and the employees (40.0% of the cost).
* Phasing in a change for Protection Occupation members years of service minimum for full benefits and credit for additional years of service to parallel other public safety retirement systems. Over the next four years, the years of service requirement will be reduced to 22 years and credit of 1.5% for each additional year of service, up to eight additional years.
* Enhancing the death benefit for IPERS members who die before retirement so that the beneficiary can elect to receive the current death benefit or an amount equal to the actuarial value of the member’s retirement benefit as of the date of the death. This is the first priority for implementation when the years of amortization has decreased sufficiently.
* Using the Rule of 88 as a determinant of normal retirement date for calculation of an early retirement reduction. This is the second priority for implementation when the years of amortization has decreased sufficiently.
* Expanding the buy-in option to other types of service. The member pays the full actuarial cost for the member’s and employer’s contributions.

**Changes to MFPRSI** Municipal Fire and Police Retirement System of Iowa (MFPRSI or 411s) has an available margin of 5.9% of covered payroll. The following enhancements cost 5.5% of covered payroll. No change in contribution rates will be needed to make these enhancements. The major changes are:

* Increasing the service retirement allowance from 60.0% to 66.0% of the member’s average final compensation.
* Increasing the credit for additional years of service beyond 22 years from 1.5% to 2.0% per year.
* Creating a Line of Duty Death Benefit of $100,000 to be paid to beneficiaries or the member’s estate if the member is killed or dies of traumatic injuries incurred in the line of duty.

**Judicial Retirement System** Judicial Retirement System has an available margin of 7.9% of covered payroll. The following enhancements cost 4.5% of covered payroll. No change in contribution rates would be needed to make these enhancements. The major changes are:

* Increases the maximum annuity for judges retiring in FY 2001 from 52.0% of the judge’s salary at retirement to 56.0%. In FY 2002, the percentage is increase, to 60.0%. Corresponding changes are applied to the Senior Judge Program.
* Increasing the judges’ contribution rate to 5.0%. Currently, the judges pay 4.0% of covered wages and the State contributes 23.7%.
* Requiring the study of adjusting contribution rates to the same ratio as IPERS (60.0% employer and 40.0% employee) once the Judicial Retirement System has attained a fully funded status.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

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)