FISCAL UPDATE February 13, 2001

Legislative Fiscal Bureau (515)-281-5279 FAX 281-8451 <http://staffweb.legis.state.ia.us/lfb/>

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FY 2003 Allowable Growth Bill - HF 191

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**Allowable Growth – HF 191** On February 6, the General Assembly passed HF 191 establishing a 4.0% rate of allowable growth for State cost per pupil for FY 2003. The rate of allowable growth is used to determine the amount by which State School Foundation Aid to local school districts will increase and the amount by which school districts’ controlled budgets may increase over the prior year’s amounts. As a result of this action, each school district’s cost per pupil will increase $180 for the 2002–2003 school year.

**FY 2003 Fiscal Estimate** House File 191 is estimated to increase FY 2003 State support of local school districts by $63.0 million (3.5%) and property tax support of local schools by $40.3 million (4.2%), compared to the estimated FY 2002.

**FY 2002 Growth Rate** The FY 2002 allowable growth rate of 4.0% was set in the 2000 Session. State aid is estimated to increase by $57.2 million (3.3%) and property taxes by $30.5 million (3.3%) for FY 2002, compared to estimated FY 2001.

**District Information** The FY 2002 and FY 2003 State aid and property tax estimates are available by district from the Legislative Fiscal Bureau (LFB). However, these estimates are based on several statewide assumptions that may not accurately reflect conditions in local districts. Information on the assumptions used to compute these estimates may also be obtained from the LFB.



**More Information** Copies of the 4.0% allowable growth estimates by school district for FY 2003 are available on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/subcom/ed_standing/Spreadsheets.htm>

STAFF CONTACT: Shawn Snyder (Ext. 17799)

ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE

**Admin./Regulation Sub.** The Administration and Regulation Appropriations Subcommittee met the week of February 5 and heard presentations from the following agencies.

**Dept. of Personnel** Mollie Anderson, Director, Department of Personnel, presented the history, functions, and FY 2002 budget requests for the Iowa Public Employees’ Retirement System (IPERS).

Ms. Anderson responded to questions from the Subcommittee and advised that the IPERS does not pay property tax on its building.

**IPERS Questions** Greg Cusack, IPERS Benefits Division Manager, advised the Subcommittee that IPERS would not be able to release IPERS’ mailing list or use the list for mailing items not directly related to IPERS.

**Information Requests** Ms. Anderson agreed to provide the Subcommittee with a report detailing the status of IPERS’ project to reengineer its information system. Ms. Anderson also agreed to provide a timeline and critical path diagram for the technology items being requested by IPERS.



**Worker’s Comp. Budget** Ms. Anderson also discussed the State’s Workers’ Compensation budget and responded to questions from the Subcommittee. Ms. Anderson agreed to provide the Subcommittee with a detailed explanation of how the hiring of a third-party administrator to administer workers’ compensation claims will change the way the Workers’ Compensation Division operates and allocates the current employees working within the Division.

**Proposed Insurance Surcharge** Ms. Anderson’s final presentation included a discussion of the Iowa Department of Personnel’s billings and the proposed Insurance Surcharge. Ms. Anderson advised the Subcommittee that she was no longer seeking to have part of the surcharge paid by employees. The entire surcharge is now being requested to come from payment by agencies of State government that will total approximately $764,000. Each agency will be asked to pay $1.14 for each employee every pay period that the employee has a health contract through the State.



**Dept. of Commerce** On February 7, Holmes Foster, Superintendent of Banking and current Director of the Department of Commerce, made a budget presentation. The presentation included representatives from all six divisions that included:

* The Administration Division with Marty Deaton, Chief Operating Officer, presented the status quo budget for the Division.
* Lynn Walding, Administrator of Alcoholic Beverages Division, discussed with the Subcommittee several fiscal issues involving the Division, including:

Changing the funding source of the License Fee Education Fund, currently appropriated from the General Fund, to the Civil Penalties Fund that is paid into by liquor licensees who violate liquor laws.

The renewal of the contract with a liquor distributor. Mr. Walding indicated that to do the distribution in-house would require more FTE positions than the Division currently has. The Division is in the process of taking bids from both in-state and out-of-state companies.

The transfer of approximately $1.5 million from the Department of Public Health in FY 2001 to pay for tobacco enforcement operations.

The theoretical implications for the State to phase out selling alcoholic beverages. Mr. Walding indicated that if the General Assembly wants to continue to bring in the $62.0 million in revenue, taxes on alcoholic beverages might be raised to the point where retailers would go out of State to purchase alcohol. The other option would be to raise license fees to replace lost revenues.

* James Forney, Superintendent of Credit Unions, discussed with the members the FY 2002 requests relating to the difficulty of retaining employees. Mr. Forney explained that reclassifying positions, including 15 examiners, would aid in retaining current employees. Mr. Forney also mentioned a separate bill that would allow State examiners’ salaries to match that of Federal examiners.
* Therese Vaughan, Commissioner of Insurance, discussed with the Subcommittee the FY 2002 request for $92,000 in additional funding, compared to FY 2001, for the lease space for the Division located at 330 E. Maple Street. The Governor recommended an increase of $36,000. The Division would absorb the additional $56,000. Ms. Vaughn indicated the Department was in negotiation with the landlord, Principal Financial Corp., over items included in the lease price, such as utilities and maintenance.
* Kay Halloran, Administrator of Professional Licensing, delivered the status quo budget for FY 2002. Ms. Halloran discussed with the members technology advancements in the Division in the area of on-line license renewal. The members indicated that the percent charged by credit card companies used during on-line renewals is a negotiable rate that they would like the Treasurer of State to investigate.
* Allan Thoms, Chairperson of the Utilities Board, presented the status quo budget for the Board. He answered questions relating to the business of the Board, including examining energy capabilities and telephone “slamming” and “cramming.”

**ERP System** A presentation on the proposed Enterprise Resource Planning (ERP) system was delivered to the Subcommittee by Cynthia Eisenhauer, Director of the Department of Management; Gerald Bair, Director of the Department of Revenue and Finance; and Mollie Anderson, Director of the Department of Personnel; with performance audit comments by Warren Jenkins, Deputy Auditor of State. The Enterprise Resource Planning (ERP) system is an integration of the State’s current separate systems of: human resources, payroll, benefits, budget system, purchasing, accounting, and inventory. The proposed plan integrates all the aforementioned systems with one centralized database, accessible through one point of entry.



**Estimated Cost** The Enterprise Resource Planning (ERP) system is estimated to cost $42.4 million. The current proposal is for $37.3 million of the total cost be financed over 10 years, with $1.2 million in funding needed for FY 2002.

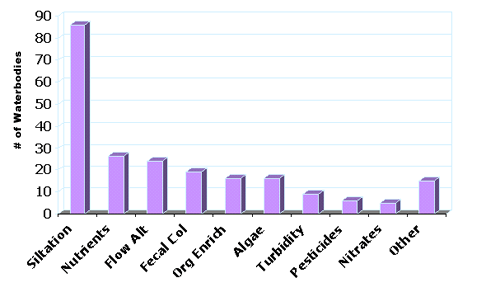
**More Information** For more information, copies of handouts, agendas, and minutes, refer to the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/subcom/admin_reg/admin_reg.htm>

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 February 6 - 8. The following topics were discussed:

**Total Maximum Daily Loads** On February 6, Bill Ehm, Department of Natural Resources, provided an update on the Total Maximum Daily Load (TMDL) Program. He explained that four TMDL calculations had been completed in FY 2000 and that 17 calculations are scheduled for completion during FY 2001. The following graph details the types of impairments of the original 157 impaired waterbodies listed on the 1998 Federal Clean Water 303(d) list:



**Source: Department of Natural Resources**

**More Information** Other information relating to the Total Maximum Daily Load Program can be found at the following web site: <http://www.state.ia.us/dnr/organiza/epd/wtresrce/files/tmdl_dev.htm>

**Johne’s Disease** On February 6, Norm Cheville, Iowa State University, provided an update on the Johne’s Disease Research Report. Topics included an improved diagnostic skin test, a test for detecting bacteria, and food safety issues.



REPORT

**Remediation Agrichemical Prg.** On February 7, Daryl Frey, Department of Agriculture and Land Stewardship, and Julie Bell, Iowa Agrichemical Remediation Board member, provided an update on the establishment of the Remediation Agrichemical Program. Expenditures for the cleanup of all sites are approximately $1.5 million per year over a 10- to 20-year period.

**ISU Extension** On February 8, Stanley Johnson, Iowa State University (ISU), provided an update on extension programs. Program topics discussed included watershed management, grain quality analysis, fertilizer application, and various youth programs. The following web site details the programs discussed: <http://www.extension.iastate.edu/>

**Web Site** For more information, copies of handouts, agendas, and minutes, refer to the Agriculture and Natural Resources web site at <http://staffweb.legis.state.ia.us/lfb/subcom/ag_dnr/ag_dnr.htm>

STAFF CONTACT: Deb Kozel (Ext. 16767)

Economic Development Appropriations Subcommittee

**Economic Devel. Subcom.** On February 6, the Economic Development Appropriations Subcommittee heard presentations on workforce training issues.

**Workforce Develop. Fund Department of Economic Development:** Mary Lawyer discussed the programs funded from the Workforce Development Fund. The Fund receives $8.0 million annually from tax diversions under Chapter 260E, Code of Iowa. The programs are:

* Iowa Jobs Training (260F) - Assists Iowa businesses to retrain currently employed workers by providing forgivable loans over a three-year period for individual businesses to provide basic skills, managerial processes, and job specific skills training.
* Apprenticeship Program - Provides workers with apprenticeships through the community colleges.
* Business Network Training - Provides financial assistance for training delivered to business networks and industry groups with common training needs.
* Targeted Industry Training - Provides financial assistance for training programs associated with cluster industries of life sciences, advanced manufacturing, and information solutions.
* Innovative Skills Development - Funds the development of innovative training programs designed to increase the skills of the Iowa workforce. The Program did not receive funding in FY 2001.

**Workforce Training Prg.** Ms. Lawyer also discussed workforce training programs funded from other sources.

* Industrial New Jobs Training Program (260E) - Encourages the creation of new jobs in Iowa by helping lower the cost of establishing or expanding the workforce. The projects are funded through bonding paid off with tax diversions.



* Accelerated Career Education (ACE) Program - Provides operating funds to community colleges for accelerated career education programs intended to increase capacity for business-driven education programs.
* Certified School-to-Career Program - Enables high school students to receive specialized classroom training while gaining workplace experience with an Iowa employer. The business pays wages to the student for working and puts additional funds into an account to help pay for the student’s formal post-secondary training.
* Career Link - Provides underemployed Iowans and the working poor with training opportunities to develop sustainable wages. The program is designed to serve both businesses and the targeted group of workers.

**EMC2 EMC2:** A group of industry representatives and educators presented information on the EMC2 Program (Exploring Manufacturing Career Consortium). The Program is a cooperative effort that currently provides training in metals manufacturing and may expand into other technical areas. The businesses provide the equipment and work opportunities not available through the schools.

**Funding** The Consortium representatives explained that they had not been able to obtain funding through the Accelerated Career Education (ACE) Program. Suggestions for other program funding matches were offered.

**Other Programs Iowa Workforce Development:** Jane Barto discussed the Promise Jobs and Welfare to Work Programs. Both programs are designed to assist persons on public assistance to become independent and self-sufficient.



**One-Stop Workforce Ctr.** Ms. Barto described the One-Stop Workforce Center System prescribed by the federal Workforce Investment Act. The Centers co-locate a number of services to assist persons with employment needs. The Centers are customized to meet local needs and include unemployment insurance, literacy programs, senior worker services, employment training, food stamps, and other such services.



**VAAPFAP VAAPFAP:** On February 7, the Department of Economic Development presented information on the Value Added Agriculture Products and Processes and Financial Assistance Program (VAAPFAP). The program was created to encourage development of renewable fuels and innovative products and processes using Iowa products. The Department provides technical assistance in business planning, marketing, and other business areas, as well as financial assistance. To date, there have been 163 projects. Examples of projects were given, such as the turkey processing plant that was purchased by area farmers when the Louis Rich Company decided to close the operation. The plant is currently expanding operations.

**Vision Iowa Vision Iowa:** On February 8, Michael Gartner, Chairperson of the Vision Iowa Board, discussed the Vision Iowa and Community Attraction and Tourism (CAT) Programs. The programs are designed to provide financial assistance for infrastructure projects that are tourism attractions. The Vision Iowa projects must be $20.0 million or more, while the Community Attraction and Tourism (CAT) projects cost less than $20.0 million. To date, the Board has received ten CAT applications and five Vision Iowa applications. The Board is in the process of reviewing the applications. Mr. Gartner expects between six and ten Vision Iowa projects will receive funding. Vision Iowa applications include water parks, riverfront developments, resorts, and cultural centers. CAT projects include swimming pools, local museums, trails, tennis courts, skating parks, and other similar projects.

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/econ_dev/econ_dev.htm>

STAFF CONTACT: Dwayne Ferguson (Ext. 16561) Alice Wisner (Ext. 14611)

Education Appropriations Subcommittee

**Education Subcommittee** The Education Appropriations Subcommittee held three meetings during the week of February 5. Agenda items included:

* Accelerated Career Education (ACE) Program. The Subcommittee heard presentations from the Department of Economic Development and Joe Borgen, President of Des Moines Area Community College (DMACC), regarding the ACE Program. The Program was approved during the 2000 Legislative Session to provide additional funds to community colleges for programming and infrastructure related to shortage areas in technical occupations. The additional funds are derived from payroll withholding tax credits for businesses and industries that sign agreements for the specified programs. In addition, $250,000 was appropriated to the College Student Aid Commission for ACE grants to assist students who agree to study in technical shortage areas. Currently, only Kirkwood Community College in Cedar Rapids has active agreements in place and has received approximately $300,000 in funds from withholding taxes under the Program. The College Student Aid Commission has awarded grants of $170,000 to 85 students at Kirkwood, and an additional $80,000 in grants is expected to be awarded to students at North Iowa Area Community College (NIACC) in Mason City.



**ACE**

* Community Colleges. Ted Stilwill, Director of the Department of Education, provided information about the statewide strategic plan for community colleges that was required by HF 2433 passed during the 2000 Legislative Session. Jan Friedel, Administrator of the Division of Community Colleges and Workforce Preparation, reviewed a variety of information regarding community colleges, including:
* FY 1998-99 Year-End Report
* Funding distribution
* Fall Term 2000 Credit Student Enrollment Report
* FY 2002 Community College Budgets
* FY 2000-2001 Tuition and Fees Report
* Jobs for America’s Graduates (JAG). Julie Nixon Eisenhower, a member of the national JAG board of directors, gave brief remarks about the national effort.
* Department of Education. Lee Tack, Administrator of the Division of Financial and Information Services, distributed a booklet of information regarding a variety of programs within the Department and discussed several recent education initiatives, such as:
* Employability skills assessments
* AmeriCorps
* Education Innovation Fund
* National Board certification stipends
* Beginning teacher mentoring

**More Information** Information about the Education Appropriations Subcommittee, such as members, agendas, and meeting handouts, can be located on the LFB web site located at: <http://staffweb.legis.state.ia.us/lfb/subcom/ed_sub/educat.htm>

STAFF CONTACT: Robin Madison (Ext. 15270) Mary Shipman (Ext. 14617)

HEALTH AND HUMAN RIGHTS APPROPRIATIONS SUBCOMMITTEE

**Health/Human Rights** The Health and Human Rights Appropriations Subcommittee met the week of February 5 and conducted the following business:

**Budget Presentations** On February 5, Legislative Fiscal Bureau (LFB) staff presented and discussed an analysis of the budgets for the Department for the Blind, the Governor’s Office of Drug Control Policy, and the Department of Human Rights.



**Dept. of Public Health** On February 6, Dr. Gleason, Director of the Department of Public Health, made a presentation to the Subcommittee regarding mental health, substance abuse, and domestic violence. Dr. Gleason discussed the direct effect that mental health and substance abuse have on domestic violence, arguing that treating substance abuse would help reduce domestic violence. The Department is requesting a General Fund increase of $1.0 million for substance abuse treatment for FY 2002.



Senior Co-op

**Senior Prescription Co-op** Also on February 6, Dr. Gleason and Stephen W. Schondelmeyer from the University of Minnesota, presented information on senior pharmaceutical assistance and the Senior Prescription Co-op Program. The Iowa Department of Public Health has received a $1.0 million grant from the federal government as seed money to research and start up the Senior Prescription Co-op. Once the program is up and running, seniors will have the option of joining the Co-op by paying yearly dues estimated to be between $25 - $50 per year. These membership dues will then serve to perpetuate the program. Through the formation of this Co-op, purchasing power will be established in order to get prescription drugs at a discounted price for all Iowa seniors who become members of the Co-op. The program further aims to reduce drug expenditures for Iowa seniors by having pharmacists encourage seniors to use the less expensive, generic drugs when possible as opposed to always requesting the name brand. Finally, the program attempts to reduce prescription drug expenditures by having the pharmacist conduct a “brown bag” assessment for seniors. This will be an assessment of all the medications the senior is currently taking and will be done to eliminate any medications that are duplicative or unnecessary.

#### FY 2002

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**Dept. of Human Rights** On February 7, the Subcommittee heard from presenters from the Department of Human Rights. Rose Vasquez, Director, gave a presentation on the history and functions of the Department. In addition, Ms. Vasquez reviewed the Administration Division’s budget request for FY 2002 and responded to questions regarding the potential establishment of a Commission on the Status of Asian and Pacific Islanders.

**Deaf Services** Kathryn Baumann-Reese, Division Administrator, Deaf Services, reviewed the Division’s budget request for FY 2002 and presented an overview of the Division’s Redesign Project, which involves shifting the Division’s focus from interpreting services to community service development.

**Persons with Disabilities** Marilyn Turner, Division Administrator, Persons with Disabilities, reviewed the Division’s budget request for FY 2002. In addition, Ms. Turner answered questions regarding the Youth Leadership Forum sponsored each year by the Division.

**Status of Women** Charlotte Nelson, Division Administrator, Status of Women, reviewed the Division’s budget request for FY 2002. She responded to questions regarding the Division’s administration of grants to programs that provide services to Iowans in transition and training on issues of violence against women.

**Childhood Lead Poisoning** After presentations from the Department of Human Rights, the Department of Public Health presented information to the Subcommittee on Childhood Lead Poisoning and Prevention. Senate File 2429 (FY 2001 Health and Human Rights Appropriations Act) appropriated $50,000 to the Department to conduct a study on childhood lead poisoning in Iowa. Rita Gergely and Dr. Edward Schor of the Department of Public Health presented the findings and recommendations of the study. Lead poisoning in Iowa’s children is approximately three times the national average. Ms. Gergely pointed to lead-based paint as the main source of lead poisoning in Iowa, which is most often found in homes built before 1950. Iowa ranks 6th in the nation for the percentage of housing built before 1950. Ms. Gergely noted the Department feels that the best form of lead poisoning prevention comes from education, outreach, and other efforts put forth by local lead prevention programs in counties around the State. Currently 71 of Iowa’s 99 counties have local programs. One of the study’s recommendations is to expand local programs to all counties in Iowa. Although this study came out after the Department’s budget was submitted, the Department is requesting and the Governor is recommending that $81,500 of tobacco settlement funds be reallocated from the Prevention of Suicide in Children Program to the Childhood Lead Poisoning Prevention Program for FY 2002.

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**Other Presentations** On February 8, the Subcommittee heard presentations from the remaining Division Administrators from the Department of Human Rights. Elizabeth Salinas Newby, Division Administrator, Latino Affairs, gave an overview of how the agency addresses the needs and concerns of Iowa’s Latino citizens and reviewed the Division’s budget request for FY 2002.

**Status of African Americans** Traevena Potter-Hall, Division Administrator, Status of African Americans, reviewed the Division’s budget request for FY 2002. In addition, Ms. Hall responded to questions regarding the issues facing African Americans in the State.

**HAWK-I Outreach Efforts** Bill Brand, Division Administrator, Community Action Agencies, presented the status of four pilot projects that are doing HAWK-I Outreach efforts in 20 counties across the State. Anita Smith, Administrator of the HAWK-I Program for the Department of Human Services, also presented outreach efforts, with a focus on all efforts occurring in the State.

**More Information** Copies of agendas, minutes, and selected materials that were distributed to Subcommittee members are available on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/subcom/health_hr/health_hr.htm>

STAFF CONTACT: Lisa Burk (Ext. 16765) Russ Trimble (Ext. 14613)

Human Services Appropriations Subcommittee

**Human Services** The Human Services Appropriations Subcommittee met the week of February 5 and conducted the following business:

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February 6: Presentations from representatives of the institutions operated by the Department of Human Services including:

* Bhasker Dave’, Independence Mental Health Institute
* Tom Deiker, Cherokee Mental Health Institute
* Ken Burger, Mt. Pleasant Mental Health Institute
* Mark Lund, Clarinda Mental Health Institute
* Mike Davis, Woodward State Resource Center
* Bill Campbell, Glenwood State Resource Center
* Jim Gardner, Sexual Predator Unit at Oakdale

February 7: Received testimony regarding the following programs:

* Healthy and Well Kids in Iowa (HAWK-I) - Anita Smith from the Department of Human Services (DHS) and Bill Brand from the Department of Human Rights
* Pharmaceutical Case Management study underway at the University of Iowa - Betsy Chrischilles
* Merit Behavioral Care of Iowa - Joan Discher from Merit and Dennis Headlee, Department of Human Services

February 8: Received information relating to:

* Status of changes in the Rehabilitation Option - Marty Swartz, DHS
* Update regarding the Olmstead Supreme Court Case regarding rights of certain disabled individuals - Linda Hinton, DHS
* Risk Pool Board proposal - David Van Ningen and Kelly Yeggy, Board members
* Prevention of Disabilities Policy Council - Kay DeGarmo, University of Iowa Hospital School

**More Information** Additional information is available upon request. Agendas, minutes, and handouts are available on the website at <http://staffweb.legis.state.ia.us/lfb/subcom/human_serv/human_serv.htm>

STAFF CONTACT: Sue Lerdal (Ext. 17794) Sam Leto (Ext. 16764)

Justice Systems Appropriations Subcommittee

**C:\Program Files\Microsoft Office\Clipart\Pub60Cor\sy00642_.wmfJustice System Subcom.** On February 6, the Justice Systems Appropriations Subcommittee heard FY 2002 budget presentations from the following agencies:

* Gene Shepard from the Iowa Law Enforcement Academy
* Ellen Gordon from the Emergency Management Division, Department of Public Defense
* General Ron Dardis from the National Guard, Department of Public Defense
* Tom Becker, State Public Defender

**Dept. of Public Safety** On February 7, Commissioner Penny Westfall, Department of Public Safety, presented the FY 2002 budget request to the Subcommittee.

**Other Presentations** On February 8, the following agencies presented the FY 2002 budget requests:

* Office of the Attorney General
* Board of Parole
* Department of Corrections (DOC)

**Attorney General’s Office** Attorney General Tom Miller originally requested an additional $395,000 in General Fund appropriations to the Department of Justice. He rescinded that request due to budget constraints, except for the $250,000 requested increase for the Legal Services Poverty Grant Program.

**Parole Board** Parole Board Chairman Chuck Larson, Sr., discussed the responsibilities of the Parole Board. The Parole Board deliberated on 9,500 cases for consideration of parole or work release during FY 2000. A total of 2,800 paroles and 1,100 work releases were granted. There were 5,500 people on parole during FY 2000, and 484 parole revocations occurred. There were 10 parole revocations due to a new violent offense in FY 2000.

**Dept. of Corrections** Director Kip Kautzky, DOC, presented the FY 2002 budget request. He highlighted the need to fund:

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* The new Council Bluffs Facility, a 25-bed facility for women.
* Capital request for the Special Needs Unit at Fort Madison. This 200-bed facility is required to comply with a federal court order. The facility is currently scheduled to open in FY 2003.

**FY 2001 Budget** Mr. Kautzky indicated that any changes to the FY 2001 operating budgets would result in staff layoffs and treatment program reductions. The FY 2001 budget has no flexibility due to salary shortage issues and increased fuel costs. The DOC implemented a hiring freeze in the nine State prisons on February 5, 2001. Community-Based Corrections (CBC) District Departments are not under a hiring freeze. However, there may be appropriation transfers between District Departments due to deficits.

**More Information** Agendas, minutes, and handouts can be obtained on the Justice Systems web site. The address is: <http://staffweb.legis.state.ia.us/lfb/subcom/justice/justice.htm>. Also located on the web site is a calendar of presenters at future Subcommittee meetings.

STAFF CONTACT: Jennifer Dean (Ext. 17846) Beth Lenstra (Ext. 16301)

Oversight and Communications Appropriations Subcommittee

**Oversight/Communic. Sub.** The Oversight and Communications Appropriations Subcommittee met February 7 and 8.



**ICN** On February 7, the Subcommittee heard presentations from Harold (Tommy) Thompson, Executive Director, Iowa Communications Network, and discussed the following:

* Debt service funding proposal
* FY 2002 budget request – video subsidization
* FY 2002 budget bequest – Part III maintenance and leases
* ATM conversion funding request
* Financial reports and definitions
* FY 2002 operating budget proposal
* ICN cost benefit analysis

**IPTC** On February 8, David Bolender, Executive Director, Iowa Public Television (IPTV), presented the request for funding to continue the conversion of the eight IPTV transmitter sites from analog broadcast format to digital broadcast format.

**Next Meeting** The next meeting of the Subcommittee will be February 14.

**More Information** Copies of agendas, minutes, and selected materials distributed to Subcommittee members are available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/oversight/oversight.htm>.

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

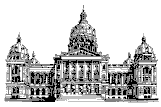
TRANSPORTATION, INFRASTRUCTURE, AND CAPITALS APPROPRIATIONS SUBCOMMITTEE

**Tran., Infrastructure/Cap.** The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met February 6 ,7, and 8. Presentations from various organizations and State agencies requesting funding from the Rebuild Iowa Infrastructure Fund (RIIF) were made to the Subcommittee.

**Gov. FY 2002 **

**Gov’s Capital Recomm.** The Department of General Services presented the Governor’s FY 2002 recommendations for infrastructure projects. The Governor is recommending $23.5 million from the RIIF and is also recommending the issuance of $62.6 million in bonds for construction of a State laboratory facility. The Governor’s recommendations from the RIIF for the Department of General Services are listed below:





**Capitol Complex Projects** The Department also provided a status report to the Subcommittee of current construction, renovation, and demolition projects on the Capitol Complex, including:

* Capitol Building exterior and interior restoration
* Lucas Building renovation
* Ola Babcock Miller renovation
* Construction of the new parking structure
* Demolition of Executive Hills and properties located north of the Complex.
* Current estimates for the construction of the New Laboratory Facility



**Vertical Infrastructure Prg.** The Department presented the Vertical Infrastructure Program and the processes adopted by the Vertical Infrastructure Advisory Committee for prioritizing and distributing funds appropriated for routine and major maintenance. In FY 2001, the General Assembly appropriated $10.5 million for major maintenance and $2.0 million for routine maintenance. The major maintenance funds are allocated to projects of State agencies under the purview of the Department of General Services based on a prioritization process developed by the Advisory Committee. The Routine Maintenance funds are allocated to State agencies based on a square footage basis.

**Public Defense Projects** The Department of Public Defense presented the FY 2002 Governor’s recommendations to the Subcommittee. The Governor is recommending a total of $1.1 million from the RIIF for the Department projects. The recommendations include:

* $700,000 for facility improvement projects at Camp Dodge, Red Oak, Knoxville, and Muscatine. The funds will be matched with $1.1 million in federal funds.
* $400,000 for the first year funding for the construction of a 25,000 square- foot Readiness Center located in Estherville. The project is estimated to cost a total $4.8 million. The project would be funded as follows: $1.3 million in State funds, $2.9 million in federal funds, and $655,000 from other sources.



**Civil Air Patrol** The Iowa Civil Air Patrol gave a presentation to the Subcommittee and discussed their mission and current funding status. The Civil Air Patrol is requesting $35,000 from the Subcommittee, which would be used to fund a variety of operating expenditures. The source of funds for the request was not discussed. However, the Patrol received General Fund appropriations in FY 2000 and FY 2001 of $15,000 and $25,000, respectively. The request for funding was not included within the Governor’s FY 2002 recommendations.



**Iowa State Fair** The Iowa State Fair presented their request for $1.0 million to fund maintenance projects at the State Fairgrounds. The request for funding was not included within the Governor’s FY 2002 recommendations. The funds would be used as follows:

* $500,000 to repair the roof of the Livestock Facility.
* $300,000 for water and sewer upgrades.
* $200,000 for electrical improvements throughout the grounds.

**More Information** For more information, copies of handouts, agendas, and minutes, refer to the Transportation, Infrastructure, and Capitals Appropriations Subcommittee web site at: <http://staffweb.legis.state.ia.us/lfb/subcom/trans_infra/trans_infra.htm>

STAFF CONTACT: David Reynolds (Ext. 16934) Mary Beth Mellick (Ext. 18223)

Child Endangerment – SF 63 PASSES THE HOUSE



**Child Endangerment** Senate File 63 (Child Endangerment) passed the House of Representatives February 8. The Bill expands the definition of who may be charged with child endangerment, to include a person in the household in which a child or minor resides. Senate File 63 provides that child endangerment includes actions intended to cause bodily injury. Current law provides such acts are limited to serious injury. The Bill imposes a non-forcible Class D felony for child endangerment resulting in bodily injury. Current law provides that child endangerment not resulting in serious injury is an aggravated misdemeanor.

**Correctional Impact** Correctional Impact: It is estimated there will be eight fewer jail admissions during FY 2002, and 16 fewer admissions each year thereafter. On an annual basis, there will be three fewer child endangerment cases, five fewer simple misdemeanor assault cases, and eight fewer serious misdemeanor assault cases.

**Prison Population Increases** Admissions to the State prison and Community-Based Corrections (CBC) systems will increase. There will be 19 new admissions to the prison system during FY 2002, 37 new admissions during FY 2003 and each year thereafter. The prison population will increase by 19 inmates during FY 2002, 58 during FY 2003, and 73 during FY 2006.

**Impact on Residential Fac.** Admissions to CBC residential facilities will increase by two during FY 2002, and four each year thereafter. Admissions to street supervision (parole and probation) will increase by 10 in FY 2002, 21 in FY 2003, and 58 in FY 2006.

**Fiscal Impact** Fiscal Impact: Total State criminal justice system (prisons, CBC, and Judicial Branch) costs range from $265,000 to $406,000 for FY 2002. Total State costs for FY 2003 range from $506,000 to $650,000.

**County Jail Savings** Total statewide savings for county jails are estimated to be $7,000 during FY 2002 and $14,000 annually thereafter.

**More Information** More information concerning this estimate is available from the Legislative Fiscal Bureau.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Tobacco Settlement Authority Meeting

**Meeting** The Tobacco Settlement Authority met February 8 and reviewed Public Financial Management’s (PFM – the Authority’s financial advisor) supplement to its financial study. PFM provided four scenarios, to:

* Adjust the cost of issuance based on recent actual transactions.
* Increase health appropriations by 1.5%.
* Test the breakeven point for various scenarios.

**Baseline Scenario** The Baseline Scenario shows the recommended full tax-exempt securitization approach, updated with a reduction to issuance expenses and adjusted for January 15, 2001, interest rates. The securitization cost is $60.6 million.

**Scenario One** Scenario One shows a full securitization assuming that proceeds are spent according to the five-year schedule. The securitization cost is $31.6 million, assuming a 6.2% unrestricted yield, with a breakeven yield of 7.1%.

**Scenario Two** Scenario Two shows the full tax-exempt securitization, with a ten-year expenditure schedule, assuming unrestricted funds are invested to realize 8.0%. The 8.0% yield results in an economic gain of $26.5 million. The breakeven yield is 6.9%.

**Scenario Three** Scenario Three presents the partial tax-exempt securitization, with 85.0% of the proceeds expended over five years. Assuming an 8.0% unrestricted yield, the securitization provides an economic benefit of $13.1 million. The breakeven yield is 7.0%.

**Risk Areas Reviewed** A representative from the law firm of Hawkins, Delafield, and Wood, reviewed risk areas for tobacco payments under the Master Settlement Agreement:

* Declining sales in the domestic market.
* Bankruptcy, primarily due to future litigation costs.
* Anti-trust challenge to the Master Settlement Agreement.
* Challenges to the Model Act. Cigarette companies are required to set aside funds for future potential health-related claims. There is one company challenging this requirement.
* The Food and Drug Administration may regulate cigarettes.
* The Master Settlement Agreement payments are based on cigarettes containing nicotine. Future technology may eliminate nicotine from the product.
* Conflict of interest for the states. States are dependent upon tobacco tax revenues and are required to enforce laws regarding use.
* The Master Settlement Agreement could always be renegotiated.

**Projects Secured By Funds** Representatives of the law firm stated there is no need to list specific capital projects that would be secured with tobacco funds. The requirement is that, at the time the bonds are issued, there is a reasonable expectation for spending State funds on capital projects. Also, the financial market has limited capacity for tobacco revenue bonds.

**Proposed Plan** A representative of the Dorsey and Whitney Law Firm reviewed the proposed program plan. The plan was created with input from bond counsel and the Attorney General’s Office. The plan includes:



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* Structure of the sales agreement between the State and the Authority.
* Terms of payment of amounts due from the Authority to the State.
* Investment criteria of funds held by the Authority.
* Alternative funding options.
* Recommendations for amendments to the Act (HF 2579 created the Tobacco Settlement Authority).
* Date of sale consummation.
* Procedure for amending the program plan.
* Other terms and provisions necessary to implement HF 2579.

**Next Meeting** The next meeting of the Tobacco Settlement Authority is scheduled for February 14.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

*This document can be found on the LFB web site:* <http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>