FISCAL UPDATE March 05, 2001

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Status of Collective Bargaining

**Status of Negotiations** The State of Iowa is required to complete collective bargaining for FY 2002 and FY 2003 by March 15. Listed below is the status of negotiations with each union:

**AFSCME** **Central AFSCME - American Federation of State, County, and Municipal Employees (approximately 22,000 employees) & Judicial AFSCME (approximately 600 employees)**



* Contracts have been ratified.
* 3.0% base pay increase on July 1, 2001 (FY 2002).
* 3.0% base pay increase on July 1, 2002 (FY 2003).
* Step increases for eligible employees.
* Additional step (at 4.0%) added 2nd year of Agreement. February 1, 2003, all employees who have been at the top of the pay range for at least one year will move to the newly created step.
* The State will pay health insurance at 80.0% of the family premium for Iowa Select and that dollar amount will be applied to family plan of the employee’s choice. This is a change from the current 70.0% of Plan 3 Plus.
* Judicial AFSCME - Effective July 1, 2002, maximum allowable deferred compensation contribution matched by the State becomes $25 (an additional $10 per month). The State contributes $1 for each $2 deferred by employee up to $25 per month.

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**SPOC SPOC - State Police Officers Council (approximately 650 employees)**

* **bs00721_**3.0% base pay increase on July 1, 2001 (FY 2002).
* 3.0% base pay increase on July 1, 2002 (FY 2003).
* Step increases for eligible employees.
* Effective January 1, 2003, provides for a deferred compensation match by the State. The State contributes $1 for each $2 deferred by employee up to $25 per month.

**IUP IUP - Iowa United Professionals (approximately 2,100 employees)**

* Has gone to arbitration.

**PPME PPME – Public, Professional, and Maintenance Employees (approximately 100 employees)**

* Has gone to arbitration.

**SEIU SEIU - Service Employees International Union (approximately 2600 employees at the University of Iowa Hospitals)**

* Contract has gone to union membership for ratification.

**COGS COGS - Committee to Organize Graduate Students (approximately 250 graduate students at the University of Iowa)**

* Contract has gone to union membership for ratification.

**UFI UFI - United Faculty of Iowa (approximately 600 faculty at the University of Northern Iowa)**

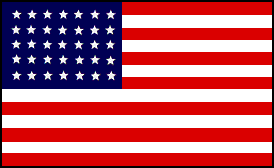
* Contract has gone to union membership for ratification.



**Estimated Cost** The Department of Management (DOM) has estimated the General Fund cost of the central AFSCME agreement at $34.7 million in FY 2002 and $31.2 million of new funding in FY 2003. Once all negotiations have been finalized, costs will be estimated for all State employees.

STAFF CONTACT: Glen Dickinson (Ext. 14616)

Care of Battle Flags – Senate amends and adopts HF 352



Civil War Flag

**HF 352 – Battle Flags** House File 352 (Care of Battle Flags) was amended and adopted by the Senate on February 27. The original bill passed the House earlier that day. The Bill assigns responsibility for the administration, preservation, and interpretation of the Iowa battle flag collection to the Historical Division of the Department of Cultural Affairs (DCA). The original House-approved version required DCA to work in consultation with the Department of General Services and required that a portion of the collection be on display in the Capitol at all times. The Senate amendment requires DCA to also work in consultation with the Department of Veterans Affairs and it requires that a portion of the flag collection be on display at the Capitol and the State Historical Building at all times unless it is on loan approved by DCA.

**Governor’s Recomm.** The Governor has recommended an FY 2002 appropriation of $120,000 from the Rebuild Iowa Infrastructure Fund for the purpose of preserving the flags. The fiscal note on House File 352 indicates a cost of $120,000 in FY 2002, $145,000 in FY 2003, and $613,300 over the subsequent three years. The Department may also seek private funding for the preservation project.



**Fiscal Estimate** Copies of the fiscal note on House File 352 are available from the Legislative Fiscal Bureau (LFB). The fiscal note is also available at the LFB’s web site at: <http://staffweb.legis.state.ia.us/lfb>.

STAFF CONTACT: Robin Madison (Ext. 15270)

Felonious Misconduct - HF 272 Passes House

**Felonious Misconduct** The House passed HF 272 on February 28. The Bill prohibits a public officer or employee from falsifying a writing, or knowingly delivering a falsified writing that will become a public record of a government body. The effect of HF 272 is to apply existing penalties earlier in a document’s life cycle. The penalty for felonious misconduct in office is a Class D felony. It is anticipated that HF 272 will have no significant correctional impact. The fiscal impact is not anticipated to be significant.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Grape and Wine Development - Senate Study Bill 1164 Passes Senate Agriculture Standing Committee

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**Grape & Wine Development** The Senate Agriculture Standing Committee passed SSB 1164 (Grape and Wine Development) on February 28. The Bill creates a Grape and Wine Development Commission and a Grape and Wine Development Fund. The Department of Agriculture and Land Stewardship, in cooperation with the Commission, will develop programs for the establishment or the expansion of vineyards in Iowa. The Grape and Wine Development Fund will receive $0.10 from each $1.75 collected for the wine gallonage tax. It is estimated total receipts to the Fund would be $236,000.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Community-Based Corrections’ Interstate Compact - HF 287 Passes House

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**Interstate Compact** The House passed HF 287 on February 27. The Bill replaces the current Interstate Compact for parole and probation. The Bill:

* Creates an independent Compact authority to administer ongoing compact activity, including a provision for staff support.
* Provides policy-making level appointments for all member states that are represented on a national governing commission.
* Requires the collection of standardized information from participating states.

**Estimated Cost** The annual General Fund cost is approximately $25,000. The funding source will be the eight Community-Based Corrections District Departments.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

State Auditor Reviews School Improvement Technology Program



**Audit Report** On February 28, the State Auditor released a report on the School Improvement Technology Program that found a number of questionable expenditures by school districts and Area Education Agencies (AEAs). The report also found several expenditures that were identified as not meeting the intent of the legislation. It raised concerns about planning and reporting practices and the Department of Education’s role in the Program.

**Statutory Authority** The School Improvement Technology Program is established in Chapter 295, Code of Iowa, which appropriates $30.0 million annually for FY 1997 through FY 2001.

**Audit** The audit tested 31 school districts, 13 AEAs, 4 special schools, and 2 community colleges. Auditors reviewed technology plans submitted for FY 1997 and FY 1998 and tested expenditures for compliance with the plans and the Code of Iowa. The audit identified questionable expenditures for eight (26%) of the school districts tested and six (46%) of the AEAs tested.



**Findings** The report finds that a lack of guidance from the Department of Education in the completion of required annual reports, the lack of formal monitoring procedures, and failure to enforce established policies has resulted in inconsistencies that make it difficult to evaluate the results and benefits of the Program. The report cites 11 examples of instances where the Department is not providing adequate guidance to school districts, AEAs, and community colleges, or is not enforcing established policies. These include the following:

* The Department does not review technology plans submitted by the AEAs as required by the Code of Iowa.
* There was no formal approval of technology plans submitted by school districts or special schools.
* The Code of Iowa does not specifically require community colleges to submit their technology plans to the Department; therefore, no review or approval is done by the Department.

**Recommendations** In addition to suggesting a more active role for the Department of Education, the report recommends the General Assembly determine if minimum standards and statewide objectives need to be established to ensure equitable provision of school technology to smaller districts. It finds that smaller school districts had technology needs exceeding the available funding, while larger districts were able to expend their funds for items that may not meet the original intent of the legislation.

The audit report also recommends that the General Assembly determine whether allowing districts to divert a portion of FY 2002 and FY 2003 technology funding to K-3 instruction and class size reduction is appropriate prior to schools achieving minimum levels of technology. Section 256E.5, subsection 2, Code of Iowa, appropriates $30.0 million annually for FY 2002 and FY 2003 for the School Improvement Technology Block Grant Program. Section 256E.8, subsection 2, Code of Iowa, permits school districts to divert up to two-thirds of their technology allocation to the purposes of the Early Intervention Block Grant Program.



**Copies Available** Copies of the audit report are available from the office of the Auditor of State at 281-5834. The report is also available online at the Auditor of State’s web site at <http://www.state.ia.us/government/auditor/reports/reports.htm>.

STAFF CONTACT: Robin Madison (Ext. 15270) Shawn Snyder (Ext. 17799)

Council on Human Services - February Meeting

**Council Meeting** The Council on Human Services met February 14 and conducted the following business:



* Administrative Rules action:
* Adopted recoupment procedures for the Child Care Assistance Program in the event of certain overpayments. There is not to be any administrative fiscal impact.
* Adopted cost-of-living adjustments based upon the 2001 federal Social Security increases and made an adjustment to the community spouse’s related to the maximum resources permitted to retain. The fiscal impact of the adjustments based upon the Social Security increases is budget neutral. The fiscal impact of the increase in the amount retained by the community spouse is expected to be minimal.
* Adopted changes in the Refugee Cash Assistance and the Refugee Service Programs. There is no predicted fiscal impact.
* Adopted changes in the Home and Community Based Waiver Program. There is an unspecified fiscal impact, with the Department of Human Services (DHS) indicating that the impact is included within the budget.
* Approved Notice of Intended Action for the following proposed administrative rule changes:

Administrative

**Rules**

* Removal of governance relating to purchase of service contracts by the DHS on behalf of counties for services relating to mental illness, mental retardation, and developmental disabilities. A fiscal impact is not expected.
* Changes in services provided by juvenile courts eligible for reimbursement. There is not a fiscal impact indicated.
* Changes in the Medicaid policy regarding nonpayment for weight loss drugs. Fiscal impact information was not included.
* Received a legislative update.
* Received an update from the Director of the Department of Elder Affairs.
* Received information regarding the Physicians’ Assistant Program at the Mental Health Institute at Cherokee.
* Received information regarding the Dual Diagnosis Program at the Mental Health Institute at Mount Pleasant.
* Received information regarding the technology arena within the DHS.
* Received an update regarding the Healthy and Well Kids in Iowa (HAWK-I) Program.

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

STAFF CONTACT: Sue Lerdal (Ext. 17794) Sam Leto (Ext. 2816764)

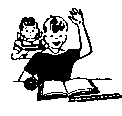
Correction - February Board of Regents Meeting



**Board Meeting - Correction** An article regarding the February 2001 meeting of the Board of Regents was published in the February 26, 2001, issue of the ***Fiscal Update***. The article stated that the Board approved a new bachelor’s degree program in classical studies at Iowa State University. The Board did not approve the program and deferred action on the program to a later date.

STAFF CONTACT: Mary Shipman (Ext. 14617)

National Education Goals Panel Accepts Recommendations for Measuring Education Progress



**Measuring School Perf.** The National Education Goals Panel, a bipartisan panel of state governors, members of Congress, state legislators, and Presidential appointees, has accepted a set of recommendations for measuring school performance and will urge Congress and the Bush administration to act upon them.

**Recommendations** The recommendations include the provision of funding to the states to enable them to administer the National Assessment of Educational Progress (NAEP) annually. NAEP has provided national assessments since 1969. Currently, at the state level, NAEP provides assessments in reading and writing in grades 4 and 8 and mathematics and science assessments at four-year intervals.

Other recommendations accepted by the National Education Goals Panel include:

* Establishing better measures of the links between state standards and policies for certifying teacher education programs and new teachers;
* Developing a regular schedule of participation in international assessments of student academic performance;
* Providing regular data on adult literacy at the state and national levels; and,
* Collecting information, on a regular 4-year cycle, about the readiness of young children to begin kindergarten.

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Task Force

**Task Force** The recommendations were made by the Measuring Success Task Force, a group of leading educators, policy makers, and researchers. They have been endorsed by The Business Roundtable, the National Alliance of Business, the National Association of Secondary School Principals, the American Association for the Advancement of Science, and the National Conference of State Legislatures.

**More Information** The full report on the Measuring Success Task Force is available on the National Education Goals Panel web site at: <http://www.negp.gov/>.

STAFF CONTACT: Robin Madison (Ext. 15270)

National Education Goals Panel Recognizes Iowa’s Promising Practices to Increase High School Completion Rates



**Report** Iowa is one of twenty states cited in the National Education Goals Panel’s annual report, *Promising Practices: Progress Toward the Goals 2000*. The Report released in February details successful practices and policies in states that have made significant progress toward the eight National Education Goals. Along with Iowa, Georgia and New York were recognized for their success in increasing high school completion rates. Iowa and New York were among the six highest performing states in this category, with a 1997 dropout rate of 3.0%. Georgia was among the most improved states, improving from 9.0% to 8.0% between 1992 and 1997.

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**Iowa Cited in Report** The Report cites Iowa’s school funding process that allows local districts to raise property taxes targeted at dropout prevention. It also cites the alternative school movement in Iowa and notes that school districts can apply for additional State funding to serve dropouts in alternative settings.

**More Information** The Report is available online on the National Education Goals Panel web site at <http://www.negp.gov/>.

STAFF CONTACT: Robin Madison (Ext. 15270)

Tobacco Settlement Authority Sunset Extension - SF 258 Signed By Governor



Governor

Signed

**Governor Signed** The Governor signed Senate File 258 on March 1. The Bill extends the Tobacco Settlement Authority’s sunset provision to December 31, 2001. Under current law, the Authority would have sunset March 1, 2001. The Authority needs to be in existence to meet State bonding requirements, if the decision is made to securitize the tobacco payments the State is scheduled to receive under the Master Settlement Agreement.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Transportation Meeting to Discuss Federal Fund Priorities for Iowa



**Federal Funds** On February 23, Mark Wandro, Director of the Department of Transportation (DOT), invited various chambers of commerce and economic development associations to share information concerning the 107th Congressional Session. The meeting was held at the Scheman Continuing Education Building at Iowa State University.

**Federal Highway Program** Dan Franklin, Director of the Office of Policy and Legislative Services at the DOT, gave a brief presentation on the Federal Highway Program, providing total annual receipts of national and statewide federal funds:

* National Federal Funds - $58.0 billion
* Iowa Federal Funds - $457.2 million
* Highway - $402.8 million
* Transit - $27.4 million
* Aviation - $24.6 million
* Motor Carrier - $2.4 million



**Top 15 Projects** Mr. Wandro reiterated Iowa’s top 15 high-priority projects – totaling $109.3 million – as listed under Section 1602 of the Transportation Equity Act for the 21st Century (TEA-21). The top three priority projects are listed below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Total Authorized in TEA-21** |  | **Allocations FY 01(18%)** |
| Relocate U.S. 61 to bypass Fort Madison |  | $3.0 million |  | $590,000 |
| Improve U.S. 65/IA 5 Interchange in Warren County |  | $5.0 million |  | $984,000 |
| Construct controlled access four-lane highway between Des Moines and Burlington |  | $9.5 million |  | $1.9 million |

**Need to Prioritize** With the current backlog of transportation needs, Mr. Wandro encouraged all groups to work with Senators and Representatives to identify and prioritize federal fund requests and to seek new opportunities for receiving additional federal funds for Iowa.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

Growth of Gambling Revenues is lower than projected for FY 2001



**FY 2001 Estimates** In December, the Revenue Estimating Conference projected State gambling revenues to total $194.3 million in FY 2001, a $10.4 million (5.7%) increase over FY 2000. Through the end of February, gambling revenues are up only 3.5% compared to the same period of FY 2000.



**Revenue Below Estimate** In order for gambling revenues to reach the estimated $194.3 million by the end of the fiscal year, they will need to grow at a rate of 9.0% for the remaining four months. If the growth remains at 3.5% for the remainder of the fiscal year, revenues will fall $4.0 million (2.1%) short of the projection.

**Reasons For Slower Growth** One major factor associated with the slower rate of revenue growth in FY 2001 can be attributed to a decrease in admissions to Iowa’s racetracks. According to the most recent information available, admissions to the tracks through January has decreased by 7.9% compared to the same period of FY 2000. In addition, admissions to the riverboats has remained virtually unchanged from the previous year.

STAFF CONTACT: David Reynolds (Ext. 16934)

*ISSUE REVIEW* - UPDATE ON EXCURSION GAMBLING BOATS, PARI-MUTUEL RACING, AND SLOT MACHINES AT RACETRACKS FOR FY 2000



***Issue Review*** The Legislative Fiscal Bureau recently released an ***Issue Review*** providing an update on riverboat, pari-mutuel, and slot machine operations in Iowa. The ***Review*** includes information relating to:

* History of Gambling in Iowa
* Regulation of Gambling Operations
* Revenue Flow
* Revenue and Expenses - A Historical Perspective
* Riverboats and Racetracks Currently in Operation
* FY 2000 Wagering Tax Revenue
* Statistics by Individual Riverboats and Racetracks



**Wagering Tax Revenue** The December Revenue Estimating Conference (REC) projected total FY 2001 State revenues of $110.4 million from excursion gambling boats, $517,000 from pari-mutuel facilities, and $79.1 million from slot machines at racetracks, for a total of $190.0 million. This is an increase of $10.4 million (5.8%) compared to FY 2000 wagering tax revenues of $179.6 million. This does not include an estimated $9.0 million to cities and counties, or the estimated $2.8 million to the State Gamblers Assistance Fund in FY 2001. The estimated FY 2001 State gambling revenue is to be distributed as follows:

* $60.0 million to the General Fund
* $15.0 million to the Vision Iowa Fund
* $5.0 million to the School Infrastructure Fund
* $114.3 million, including admission fees and daily license fees from racetracks, to the Rebuild Iowa Infrastructure Fund.

The Racing and Gaming Commission and the Division of Criminal Investigation have received appropriations for FY 2001 of $3.8 million and $4.4 million, respectively, for regulation of gaming operations. This is an increase of $355,000 (4.5%) compared to FY 2000.

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

STAFF CONTACT: Ron Robinson (Ext. 16256)

*Issue Review* Released - Linked Investments for Tomorrow Program Update (Updated January 2001)



***Issue Review*** The Legislative Fiscal Bureau recently released an ***Issue Review*** providing an overview of the Linked Investments for Tomorrow Program in the State Treasurer’s Office.

**Background** The Linked Investments for Tomorrow (LIFT) Program began in 1986 as part of a State government initiative to diversify Iowa’s agricultural industry. The Program was initially authorized in HF 2313 (Horticulture and Nontraditional Crops Act) during the 1986 Legislative Session.

**Addressed Needs** In subsequent years, other perceived needs were addressed with low interest loans:

* Targeted Small Business (1988). The General Assembly placed a moratorium on the Targeted Small Business Program between April 4, 1996, and June 30, 1997, in HF 2397 (Linked Investments Act) during the 1996 Legislative Session. The Focused Small Business Program was established on July 1, 1997, HF 613 (Linked Investment Programs Act), as a replacement to the Targeted Small Business Program.



* Main Street Historical Preservation (1991). Repealed (1996).
* Rural Small Business Transfer (1992).
* Traditional Livestock Producers (1999).
* Value-Added Agriculture (1999).

**Program Description** Through the Linked Investments for Tomorrow Program, the Treasurer of State is authorized to deposit funds in Iowa depositories at an interest rate of 3.0% below current market rate for a U.S. Treasury Bill of comparable maturity. The interest received must be at least 2.0%. The depository must make a loan for a like amount to a qualified project. The interest rate for the loan cannot be more than 4.0% above the interest rate of deposit. The initial certificate of deposit for a borrower has a maturity of one year and may be renewed on an annual basis for a total term not to exceed five years for any program. The only exception is the Traditional Livestock Producers Program, which cannot exceed a total of three years in any 10-year period. All programs had been limited to a total term of nine years prior to the enactment of HF 779 (Linked Investment Loan Programs Act) by the General Assembly in 1999.



**Program Statistics** **Table 1** provides information on outstanding loans as of October 1, 2000:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Table 1** | | | | | | | | |
| **Linked Investments For Tomorrow Loans** | | | | | | | | |
| **October 1, 2000** | | | | | | | | |
| **Program** |  | **Maximum**  **Loan Amount** |  | **Total Loaned** |  | **Number**  **of Loans** |  | **Number of**  **Borrowers** |
| Focused Small Business |  | $ 100,000 |  | $ 21,775,989 |  | 483 |  | 594 |
| Horticulture & Alternative Crops\* |  | 500,000 |  | 15,918,314 |  | 340 |  | 492 |
| Rural Small Business Transfer |  | 50,000 |  | 2,083,029 |  | 64 |  | 101 |
| Targeted Small Business\*\* |  | 250,000 |  | 22,772,704 |  | 419 |  | 757 |
| Traditional Livestock |  | 100,000 |  | 18,066,692 |  | 802 |  | 925 |
| Value-Added Agriculture |  | 250,000 |  | 1,358,212 |  | 10 |  | 16 |
| **Totals** |  |  |  | $ 81,974,940 |  | 2,118 |  | 2,888 |

\*Maximum loan is $200,000 for production, $500,000 for processing/marketing, or $500,000 combined.

\*\*Replaced by Focused Small Business Program. Renewal of investments made prior to April 4, 1996.



**Outstanding Loans Table 2** shows the amount eligible to be loaned; the total amount outstanding in loans through the Program, approved but not closed loans, and the remaining amount eligible to be loaned as of October 1, 2000.

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| --- | --- | --- | --- | --- | --- | --- |
| **Table 2** | | | | | | |
| **Linked Investments For Tomorrow - Funds Available To Loan**  **October 1, 2000** | | | | | | |
|  |  | **Traditional Livestock** |  | **Value-Added Agriculture** |  | **Other Programs** |
| Amount eligible to be loaned |  | $ 20,000,000 |  | $20,000,000 |  | $68,000,000 |
| Total amount of loans outstanding |  | -18,066,692 |  | -1,358,212 |  | -62,550,036 |
| Approved, but not closed loans |  | 0 |  | -12,742,800 |  | - 107,668 |
| ***Remaining amount eligible to be loaned*** |  | ***$ 1,933,308*** |  | ***$ 5,898,988*** |  | ***$ 5,342,296*** |

**Budget Impact** The total estimated amount of foregone interest to the General Fund due to the Linked Investments for Tomorrow Program from June 1986 to December 1999 is $16.0 million.

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

STAFF CONTACT: Ron Robinson (Ext. 16256)

DEPARTMENT OF REVENUE AND FINANCE ISSUES SALES TAX HOLIDAY REPORT



**Report Released** The Iowa Department of Revenue and Finance recently released a report estimating the fiscal impact of Iowa’s first Sales Tax Holiday, which occurred August 4 and 5, 2000. The Sales Tax Holiday provision was contained in HF 2351 (Sales Tax Holiday Act of 2000).

The Report concludes, *“In summary, Iowa’s first sales tax holiday resulted in a $1.6 million reduction in State sales tax collections. The level of retail sales by clothing and footwear merchandisers seems to have been only minimally affected by the legislation. However, to at least some extent, the modest impact on sales may be attributed to a general slowdown in consumer spending during the July - September quarter.“*

**Copies Available** A copy of the Report is available from the Legislative Fiscal Bureau.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

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