FISCAL UPDATE January 28, 2002

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School Foundation Aid - Governor’s Recommendations

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**Gov’s Rec-Allowable Growth** The Governor recommends appropriating $1,784.1 million in State aid for allowable growth in FY 2003. This is a $59.0 million (3.4%) increase compared to the adjusted FY 2002 amount. The Governor is also recommending the following changes in FY 2003:

* Reduce the FY 2003 allowable growth rate to 1.0%. The FY 2003 allowable growth rate was set at 4.0% during the 2001 Legislative Session.
* Continue the $7.5 million State aid reduction to Area Education Agency (AEA) Special Education Support Services. This reduction was made during the FY 2001 Legislative Session in HF 755 (FY 2002 Standing Appropriations Act).
* Require that if the calculated State aid amount for allowable growth is greater than the appropriated amount, that difference be reduced to school districts on a per pupil basis. However, school districts would have the option to levy for that difference (estimated to be $11.0 million).

**FY 2003 Allowable Growth** The FY 2003 allowable growth rate was set at 4.0% during the 2001 Legislative Session. If no change is made during the 2002 Legislative Session, it is estimated that State school aid will increase approximately $147.7 million (8.6%) compared to the adjusted FY 2002 State aid amount.

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**FY 2004 Allowable Growth** The Governor recommends a FY 2004 allowable growth rate of 3.0%. The Governor also recommends continuing the $7.5 million State aid reduction to Area Education Agencies. This is estimated to be an increase in State aid to school districts of approximately $76.3 million (4.3%) compared to the Governor’s FY 2003 recommendation.

**Approp. Recommendation** The table below details State school aid amounts for FY 2002, current law FY 2003, the Governor’s proposal for FY 2003, and the Governor’s proposal for FY 2004.

**School Foundation Aid Funding Totals**

**(Dollars in Millions)**

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**Current Law** Current law requires the General Assembly to pass an allowable growth rate within 30 days of the submission of the Governor’s budget. The FY 2004 allowable growth rate is required to be approved by February 17 under current law.

**More Information** For further information pertaining to school aid amounts, contact the Legislative Fiscal Bureau.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

FY 2003 Governor’s Recommendations for Capital Projects and Related Appropriations

**Gov.**

**FY 2003**

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**Gov’s Rec./Capital Projects** The Governor is recommending a total of $202.3 million to fund capital projects, environmental programs, technology, debt service payments on certain bonds, and attorney litigation payments. The recommendation includes $22.4 million from the Rebuild Iowa Infrastructure Fund, $35.0 million from the Environment First Fund, and $144.9 million from tax-exempt bond proceeds of the Restricted Capital Fund. The tax-exempt bonds were issued as part of the tobacco securitization process. The following table compares the total funds being recommended by funding source to the estimated FY 2002 appropriations.

**More Information** Additional information is available on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/miscpubs/lagar_fy2003.pdf>

STAFF CONTACT: David Reynolds (Ext. 16934)

ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE FY 2003 GOVERNOR’S RECOMMENDATIONS

**Gov.**

**FY 2003**

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**Admin./Regulation** The Governor is recommending $83.2 million from the General Fund and 1,573.9 FTE positions for 10 departments of the Administration and Regulation Appropriations Subcommittee. This is an increase of $1.7 million (2.1%) and a decrease of 271.3 (14.7%) FTE positions compared to estimated net FY 2002. This does not include $55.6 million for the FY 2003 Salary Adjustment Fund or $27.1 million for the Endowment for Iowa Health Fund. Also not included in the Governor’s recommendations are the FTE positions that would need to be transferred to the new administrative agency if it is approved. Unless otherwise indicated, all increases or decreases are compared to estimated net FY 2002.

**General Fund Changes The Governor’s recommendation includes the following significant changes:**

* **New Administrative Agency** – As part of an effort to streamline State Government, the Governor is proposing to reorganize a number of administrative departments and agencies into a single new administrative agency, the Department of Administrative Services. See the article on page 13 for more information on the new Department. The Governor is recommending $17.0 million and 2.0 FTE positions for FY 2003. This is an increase of $17.0 million and 2.0 FTE positions compared to estimated net FY 2002. The significant changes include

**Iowa Telecommunications and Technology Commission** – A decrease of $1.1 million (51.6%) and no change in FTE positions compared to estimated net FY 2002, to subsidize Iowa Communications Network (ICN) operations and costs related to educational usage of video services provided over the ICN.

**Department of General Services** – An increase of $223,000 compared to estimated net FY 2002 to lease space for the Division of Criminal Investigations’ Crime Lab and the Medical Examiner’s Office.

**Assimilation Savings** – The Governor is recommending an additional savings of $3.1 million due to the assimilation.

**Inspections & Appeals Department of Inspections and Appeals** – The Governor is recommending $11.1 million from the General Fund and 328.8 FTE positions, including $3.7 million and 55.8 FTE positions for the Racing and Gaming Commission for FY 2003. This is an increase of $615,000 (5.9%) and 13.0 (4.1%) FTE positions compared to estimated net FY 2002. The recommendation includes the creation of a new Child Advocacy Division.



* **Child Advocacy Division** – This is a new appropriation resulting in an increase of $628,000 and 19.0 FTE positions to transfer the functions from the Department of Human Services. The changes include:

An increase of $480,000 and 15.0 FTE positions to transfer functions from the Department of Human Services.

An increase of $149,000 and 4.0 FTE positions to reallocate resources from the Health Facilities Division.

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**Revenue & Finance Department of Revenue and Finance** – The Governor is recommending $25.9 million from the General Fund and 534.8 FTE positions, including 117.0 FTE positions for Lottery Operations for FY 2003. This is a decrease of $1.6 million (5.8%) and 26.2 (5.9%) FTE positions compared to estimated net FY 2002. The Governor is recommending an appropriation of $400,000 for a Tax Fairness Study, a one-time study of the tax system.

**Secretary of State Office of the Secretary of State** – The Governor is recommending $3.1 million from the General Fund and 52.0 FTE positions for FY 2003. This is an increase of $731,000 (31.4%) and 10.0 (23.8%) FTE positions compared to estimated net FY 2002. The significant changes, by division, include:

* **Business Services Division** – An increase of $756,000 (48.7%) and 10.0 (31.3%) FTE positions compared to estimated net FY 2002. The significant changes include:

An increase of $720,000 and 10.0 FTE positions due to the transfer of the Department of Commerce’s Professional Licensing Division’s functions to the Office of the Secretary of State. The recommendation is $80,000 (10.0%) and 1.0 (10.0%) FTE position less than the estimated net FY 2002 appropriation to the Professional Licensing Division.

**More Information** Additional information is available on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/miscpubs/lagar_fy2003.pdf>.

STAFF CONTACT: Ron Robinson (Ext. 16256)

Agriculture and Natural resources appropriations subcommittee FY 2003 Governor’s recommendations

**Gov.**

**FY 2003**

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**Agric./Natural Resources** The Governor is recommending $34.7 million for operations from the General Fund and 1,545.9 FTE positions, a decrease of $858,000 (2.4%) and 11.8 (0.8%) FTE positions compared to estimated net FY 2002. The following details the recommendations:

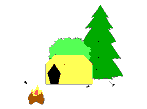
**Dept. of Agriculture** The Governor is recommending $18.1 million from the General Fund and 485.7 FTE positions for FY 2003 for the Department of Agriculture and Land Stewardship. This is a decrease of $799,000 (4.2%) and a decrease of 8.8 (1.8%) FTE positions compared to estimated net FY 2002. Significant changes include:

* An increase of $334,000 (13.9%) and 14.0 (29.6%) FTE positions in the Administrative Division.
* C:\Program Files\Microsoft Office\Clipart\smbusbas\bs00044_.wmfA decrease of $263,000 (5.1%) and 11.0 (8.9%) FTE positions in the Regulatory Division.
* A decrease of $553,000 (17.2%) and 10.0 (11.9%) FTE positions in the Laboratory Division.
* A decrease of $270,000 (3.7%) and 4.3 (2.2%) FTE positions in the Soil Conservation Division.
* The Governor is recommending $16.0 million funding for projects from the Environment First Fund. This is no change in funding compared to estimated net FY 2002.
* The Governor is recommending $400,000 for the Renewable Fuels Program with funding transferred from the Department of Economic Development (DED). Funding from the DED is from the Value Added Agricultural Products and Process Financial Program (VAAPFAP).

**Dept. of Natural Resources** The Governor is recommending $16.7 million from the General Fund and 1,060.1 FTE positions for FY 2003 for the Department of Natural Resources. This is a decrease of $59,000 (0.4%) and 3.0 (0.28%) FTE positions compared to estimated net FY 2002. Significant changes include:



* An increase of $74,000 (3.5%) and no change in FTE positions in the Administrative Services Division compared to estimated net FY 2002. The increase is for payment of the Workers’ Compensation Premium that was not included in the base budget.
* An increase of $150,000 (2.5%) and no change in FTE positions in the Parks and Preserves Division compared to estimated net FY 2002. The increase is for payment of benefits to retiring park rangers.
* An increase of $364,000 (7.9%) and a decrease of 3.0 (1.3%) FTE positions compared to estimated net FY 2002 in the Environmental Protection Division.
* A decrease of $500,000 to reflect the cost savings from the reorganization of the Department of Natural Resources. The dollar amounts per operating Division were not specified.
* A decrease of $146,000 for the Enterprise Savings and Efficiency Reductions. The dollar amounts per operating Division were not specified.
* An increase of $250,000 (0.9%) and no change in FTE positions for the Fish and Wildlife Division.



* An increase of $1,000,000 (100.00%) from the Restricted Capital Fund of the Tobacco Settlement Trust Fund for the continued development of a destination park.
* The Governor is recommending $19.0 million from the Environment First Fund for programs in the Department of Natural Resources for FY 2003, which is an increase of $2.1 million (12.4%) compared to estimated net FY 2002.

**More Information** Additional information is available on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/miscpubs/lagar_fy2003.pdf>

STAFF CONTACT: Deb Kozel (Ext. 16767)

Economic Development Appropriations Subcommittee FY 2003 Governor’s Recommendations

**Gov.**

**FY 2003**

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**Economic Development** The Governor is recommending $29.6 million from the General Fund and 1,347.5 FTE positions for the three departments and seven Regents University programs of the Economic Development Appropriations Subcommittee, a decrease of $5.3 million (15.1%) and an increase of 58.7 (4.5%) FTE positions compared to estimated net FY 2002. Significant changes to the General Fund include:

* **Department of Economic Development (DED)** – A decrease of $5.0 million (23.7%) compared to estimated net FY 2002. Highlights include:
* A decrease of $2.3 million in program reductions.
* A decrease of $2.7 million to shift funding for the Value Added Agricultural Products and Processes and Financial Assistance Program from the General Fund to Use Tax.
* **Iowa Workforce Development (IWD)** – A decrease of $229,000 (3.9%) and 1.5 (0.7%) FTE positions compared to estimated net FY 2002 for budget reductions due to enterprise efficiencies.



* **Public Employment Relations Board** – A decrease of $33,000 (3.9%) and 1.2 (9.8%) FTE positions compared to estimated net FY 2002 for budget reductions due to enterprise efficiencies.
* **Board of Regents** – No change in funding and an increase of 0.4 (0.5%) FTE position compared to estimated net FY 2002.
* **Title Guaranty Division** – Transferring $2.7 million from the Title Guaranty reserves to the General Fund in FY 2003. The Iowa Finance Authority commissioned an actuarial study early in FY 2002 that indicated the reserves could be reduced and still pay claims.



**Gov’s Rec./New Economy** The Governor’s priorities include a number of recommendations related to the New Economy, such as:

* Continued growth and development in the areas of life sciences, advanced manufacturing, and information solutions (insurance, financial services, and computer programming), including:
* Creation of a New Economy Council.
* Using tax credits to generate venture capital, attract start-up life-science businesses, and allow individuals to invest small amounts in capital formation initiatives.
* Allowing 100.0% of the federal income tax to be deducted by Subchapter S Corporation shareholders’ distributions.
* Raising the minimum wage.
* Implementing a strategic housing development plan.
* Utilizing Community Development Block Grant (CDBG) funds at the local level for broadband high-speed Internet services, agricultural innovations, recreational destination attractions, improving government efficiency in service provision, and other activities.



* Making Iowa the World Food Capital by maintaining funding for related programs and creating a task force for improving food security.
* Providing Vision Iowa Program funding for counties in FY 2004.

**More Information** Additional information is available on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/miscpubs/lagar_fy2003.pdf>

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

Education Appropriations Subcommittee FY 2003 Governor’s Recommendations

**Gov.**

**FY 2003**

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**Gov’s Rec. - Education** The Governor is recommending $951.8 million for operations from the General Fund and 25,983.7 FTE positions for the four departments of the Education Appropriations Subcommittee. This is an increase of $36.1 million (3.9%) and 3.4 (0.0%) FTE positions compared to estimated net FY 2002. This includes 8,703.7 FTE positions that are not appropriated by the General Assembly. These positions are funded by federal funds, fee revenue, and gifts and donations. More information on these FTE positions is available from the LFB upon request.

Highlights of funding by Department include:

**College Aid College Student Aid Commission:**



* An increase of $65,000 for a new appropriation to assist 33 students with Foster Child Grants. This Program was funded by the Commission in FY 2002 by utilizing interest earned on federal reserve funds. The Governor stated that a private donor is willing to contribute $100,000 to support this Program if a State General Fund appropriation is approved.
* An increase of $320,000 for the Osteopathic Forgivable Loan Program to restore loans to the FY 2001 level of $4,000 for 154 students.
* An increase of $1.7 million for the Tuition Grant Program to fully restore the 4.3% across-the-board reduction and increase the average grant from $3,186 to $3,299 for approximately 14,800 recipients. The Governor is recommending the maximum grant remain unchanged at $4,000.
* An increase of $300,000 to partially restore funding for the College-Work Study Program. This Program is funded by a standing appropriation of $2.8 million; however, the appropriation was nullified for FY 2002. The Governor’s recommendation includes nullifying the standing appropriation again for FY 2003, but providing partial funding for a pilot project.
* A decrease of $46,000 for the Iowa Grant Program to apply a 4.3% across-the-board reduction. The Program was reduced in the Special Session in November 2001, but since all the funds had been distributed, the reduction is being applied to FY 2003.



**Cultural Affairs Department of Cultural Affairs *-*** The Governor is recommending a total increase of $771,000 for the Department. The recommendation includes a 3.9% general reduction to the Department’s five existing budget units. The recommendation also includes a new appropriation of $1.0 million to establish a cultural trust fund, the interest income from which would be awarded by grant to community cultural institutions.

**Dept. of Education Department of Education:**

* A General Fund appropriation of $40.0 million for the Student Achievement and Teacher Quality Program to maintain the FY 2002 level of funding. The Program was established in FY 2002 with a $40.0 million appropriation from the Endowment for Healthy Iowans.



* An increase of $4.0 million for general aid to community colleges. This would partially restore the 3.7% net reduction approved by the General Assembly in HF 759 (FY 2002 Appropriations Adjustment Act). The Governor is also recommending increasing levy authority for both the facilities and equipment levies to generate approximately $4.8 million in additional revenues.
* A decrease of $631,000 (4.3%) for Community Empowerment’s School Ready Children Grants. The Governor is recommending this reduction in FY 2003 because the Program was exempt from the 4.3% across-the-board reduction approved in FY 2002.



* A 3.9% general reduction to 13 other budget units, for a total decrease of $985,000. Two of these budget units, Vocational Rehabilitation and Vocational Education Secondary (Carl Perkins), may experience a loss of federal funds as a result of these reductions. The issue of potential loss of federal funding is discussed in more detail later in this document.
* A further reduction, totaling $132,000, to three of those budget units to reflect savings associated with the Workforce Attrition Program.

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**Board of Regents Board of Regents** – A decrease of $9.2 million to transfer a portion of the funding for Tuition Replacement to the Restricted Capital Fund of the Tobacco Settlement Trust Fund. Tuition Replacement is an appropriation to pay the debt service on academic revenue bonds. A small portion of the cost ($600,000) was transferred to the Tobacco Fund in FY 2002.

**More Information** Additional detail is available on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/miscpubs/lagar_fy2003.pdf>

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Health & Human Rights Appropriations Subcommittee FY 2003 Governor’s Recommendations

**Gov.**

**FY 2003**

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**Gov’s Rec.–Health/Hum. Rts.** The Governor is recommending $54.0 million from the General Fund and 1,539.2 FTE positions for the seven departments of the Health and Human Rights Appropriations Subcommittee, a decrease of $33.2 million (38.1%) and 56.9 (3.6%) FTE positions compared to estimated net FY 2002. The majority of the decrease ($34.0 million) can be attributed to the Governor’s recommendation that the Iowa Veteran’s Home implement net budgeting. The Governor’s recommendations are as follows:

**Dept. for the Blind Department for the Blind** –A decrease of $73,000 and no change in FTE positions compared to estimated net FY 2002.

**Civil Rights Civil Rights Commission** – A decrease of $80,000 and 1.0 FTE position compared to estimated net FY 2002.

**Dept. of Elder Affairs Department of Elder Affairs** – A decrease of $168,000 and no change in FTE positions compared to estimated net FY 2002.

**Office of Drug Control Policy Governor’s Office of Drug Control Policy** – A decrease of $51,000 and 2.0 FTE positions compared to estimated net FY 2002.



**Dept. of Public Health Department of Public Health** – An increase of $1.0 million (3.7%) and a decrease of 38.9 (8.3%) FTE positions compared to estimated net FY 2002. Significant changes include:

* A General Fund increase of $1.1 million and a decrease of 23.0 FTE positions to provide substance abuse treatment to non-violent clients in lieu of prison (Knoxville Substance Abuse Treatment Facility). For FY 2002, this Program was funded with a one-time appropriation from the Healthy Iowans Tobacco Trust Fund. The Governor is recommending that the monies unexpended from this one-time appropriation for FY 2002 be allowed to carry forward to be used by the Department for the purpose for which it was intended for FY 2003. The dollar amount expected to carry forward is $1.3 million.
* An increase of $250,000 to Child and Adolescent Wellness to transfer Child Abuse Prevention Programs from the Department of Human Services to the Department of Public Health.
* The Governor is recommending the Abandoned Wells Program be transferred from the Department of Natural Resources to the Department of Public Health. Funding for the Program, from the Groundwater Protection Fund, will also be transferred to the Department of Public Health. The amount to be transferred is estimated to be $1.4 million.

**Human Rights Department of Human Rights** – A decrease of $101,000 (3.9%) and 12.4 (15.8%) FTE positions compared to estimated net FY 2002.



**Veteran’s Affairs Commission on Veteran’s Affairs** – A decrease of $33.7 million (67.9%) and 3.3 (0.4%) FTE positions compared to estimated net FY 2002. The Governor’s recommendations for the Veterans’s Home include:

* An increase of $492,000 for unfunded FY 2002 salary adjustment.
* A decrease of $30.4 million to change the Home’s current system of budgeting to net budgeting.
* A decrease of $3.7 million for the State’s share of Medicaid. This appropriation, under net budgeting, will now be made to the Department of Human Services, which will then reimburse the Home for the like amount.

**More Information** Additional information is available on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/miscpubs/lagar_fy2003.pdf>

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Human Services Appropriations subcommittee fy 2003 Governor’s Recommendations

**Gov.**

**FY 2003**

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**Gov’s Rec.– Human Services** The Governor’s recommendations for the Department of Human Services include $758.5 million and 5,554.5 FTE positions for FY 2003 from the State General Fund. This is a decrease of $126,000 and 359.3 FTE positions compared to the estimated net FY 2002 appropriation. In addition, the Governor recommends $56.5 million from the Senior Living Trust Fund, $36.4 million from the Healthy Iowans Tobacco Trust (an increase of $3.6 million compared to the estimated net FY 2002 appropriation), and $12.0 million from the Tobacco Endowment (Endowment for Iowa’s Health Account). In addition, the Governor recommends a FY 2002 supplemental appropriation for Medicaid of $18.6 million, with $5.0 from the Senior Living Trust Fund and $13.6 million from the Tobacco Endowment.

The Governor’s FY 2003 recommendations include:



**Economic Assistance** **Economic Assistance**: An increase of $289,000 and a decrease of 2.00 FTE positions compared to estimated net FY 2002. This includes:

* Family Investment Program - An increase for statewide expansion of the Food Stamps Electronic Benefit Transfer Program.
* Emergency Assistance Program - Elimination of the Program for FY 2003.
* Child Support Recovery Unit - Transfer of $396,000 to the Field Operations appropriation.

**Medical Services** **Medical Services**: An increase of $48.0 million compared to estimated net FY 2002. This includes a decrease of $2.6 million and 8.00 FTE positions from the State General Fund, an increase of $3.6 million from Healthy Iowans Tobacco Trust, $12.0 million from the Tobacco Endowment, $10.0 million from the Senior Living Trust Fund, and $25.0 million from the Hospital Trust Fund.

**Child & Family Services** **Child and Family Services**: A decrease of $622,000 and 12.5 FTE positions compared to estimated net FY 2002.

**Mental Health** **Mental Health/Mental Retardation/Developmental Disabilities**: An increase of $3.3 million and a decrease of 83.6 FTE positions compared to estimated net FY 2002. This includes the transfer of the Sexual Predator Commitment Program from Oakdale to the Mental Health Institute at Mount Pleasant.

**Managing/Delivering Services** **Managing and Delivering Services**: A decrease of $468,000 and 261.5 FTE positions compared to estimated net FY 2002.

**Detailed Spreadsheet** A summary of the Governor’s recommendations is available on the LFB web site at [www.staffweb.legis.state.ia.us/lfb](http://www.staffweb.legis.state.ia.us/lfb) . A copy of a detailed spreadsheet is available on the LFB website at [www.staffweb.legis.state.ia.us/lfb/human\_serv/human\_serv](http://www.staffweb.legis.state.ia.us/lfb/human_serv/human_serv) and finding the “spreadsheet” link. A detailed written summary will be forthcoming in print or on the web site at a later date.

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

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

Justice System Appropriations Subcommittee fy 2003 Governor’s Recommendations

**Gov’s Rec. – Justice System** The Governor is recommending $431.5 million from the General Fund and 7,970.7 FTE positions, a decrease of $49.5 million (10.3%) and 144.1 (1.8%) FTE positions compared to estimated net FY 2002. The major changes include:



**Dept. of Justice** **Department of Justice** – A decrease of $839,000 and an increase of 6.0 FTE positions compared to the estimated net FY 2002 appropriation. The major change includes a decrease of $522,000 for Enterprise Efficiency Reductions for the following areas: Office of the Attorney General, Legal Services Poverty Grant Program, Victim Assistance Grants Program, Prosecuting Attorney Training Program, Area Office of Drug Control Policy Prosecuting Attorney Program, and the Office of the Consumer Advocate. The Enterprise Efficiency Reduction is a 3.8% across-the-board reduction on selected departments.

**Dept. of Corrections** **Department of Corrections** – An increase of $4.8 million (2.0%) and 50.6 FTE positions (1.2%) compared to the estimated net FY 2002 appropriation. The major changes include:

* An increase of $2.0 million to replace the FY 2001 supplemental appropriation for the Iowa State Penitentiary at Fort Madison. The Institution’s FY 2002 budget was reduced by $2.0 million, and a FY 2001 supplemental appropriation was provided with a non-reversion clause during the 2001 Legislative Session.
* A decrease of $954,000 and 22.5 FTE positions for savings related to the Workforce Attrition Program and installing perimeter security fences at the prisons.
* An increase of $3.9 million and 71.1 FTE positions to operate the 200-bed Special Needs Unit at the Iowa State Penitentiary at Fort Madison. The Special Needs Unit was authorized by the General Assembly to comply with a federal court order to meet treatment and security needs of high risk, high needs inmates. The Governor is proposing to phase-in 102 staff to treat 200 special needs inmates over 11 months starting in August 2002. This recommendation will require additional funding in FY 2004 to annualize staffing and support costs. This recommendation is based on a recent federal court ruling that requires that all of the new 200 beds be utilized.

**Dept. of Public Safety** **Department of Public Safety** – The Governor is recommending funding a total of $55.3 million and 841.0 FTE positions from the Motor Vehicle Use Tax and $6.7 million and 109.8 FTE positions from the General Fund.

**Inspections & Appeals** **Department of Inspections and Appeals** – A net increase of $500,000 (1.5%) and no change in FTE positions compared to the estimated net FY 2002 appropriation. This recommendation increases the State Public Defender Office’s appropriation to fully fund all currently authorized FTE positions, and decreases the appropriation for Indigent Defense to reflect the savings associated with using Public Defenders, rather than contract attorneys, to provide defense for indigent criminal defendants.

**More Information** More information is available by contacting Beth Lenstra or Jennifer Dean, or by reviewing the LFB document, “Summary of FY 2003 Budget and Governor’s Recommendation”, available by contacting the LFB. This document is also available on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/>.

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Oversight and Communications Appropriations Subcommittee fy 2003 governor’s recommendations

**Oversight/Communications** The Governor is recommending the transfer of the General Fund appropriations for the Iowa Telecommunication and Technology Commission and the Information Technology Department to a new administrative agency.

**Telecomm. Councils** For the remaining General Fund appropriation made by the Oversight and Communications Appropriations Subcommittee (the Iowa Public Television Regional Telecommunications Councils appropriation), the Governor is recommending $1.9 million from the General Fund, a decrease of $76,000 (3.9%) compared to estimated net FY 2002.



**Public Television** The Governor is also recommending 280.5 FTE positions, an increase of 42.5 (34.0%) FTE positions compared to estimated net FY 2002. Of these, 8.0 FTE positions are for the Iowa Public Television appropriation recommendation and the remaining 272.5 FTE positions would need to be assigned to the new administrative agency if the General Assembly would decide to create it.

**More Information** Additional information is available on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/miscpubs/lagar_fy2003.pdf>.

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Transportation, infrastructure and capitals appropriations subcommittee fy 2003 recommendations

**Gov.**

**FY 2003**

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**Gov’s Rec. - DOT** The Governor is recommending $265.7 million and 3,554.0 FTE positions from all funding sources for Department of Transportation (DOT) operations, special purpose, capital projects, and programs for FY 2003. This is a decrease of $12.1 million (4.4%) and 403.0 FTE positions (10.2%) compared to estimated net FY 2002. This includes 96.0 unappropriated FTE positions that are not appropriated by the General Assembly, but are funded through revolving funds administered by the Department.

Of the total FY 2003 recommendation:

* $258.1 million is recommended from other funds for operations and special purpose projects, a decrease of $13.3 million (4.9%) compared to estimated net FY 2002.
* $4.9 million is recommended from other funds for capital projects, an increase of $1.2 million (31.9%) compared to estimated net FY 2002.
* $2.7 million is recommended from the General Fund for programs, which is no change compared to estimated net FY 2002.

**More Information** Additional information is available on the LFB web site at: <http://staffweb.legis.state.ia.us/lfb/miscpubs/lagar_fy2003.pdf>

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Governor’s Proposed Department of Admininstrative Services

**New Administrative Agency** As part of an effort to streamline State government, the Governor is proposing to reorganize a number of administrative departments and agencies into a single new administrative agency, the Department of Administrative Services. The proposed department would include the following entities:

* Iowa Communications Network
* Information Technology Department
* Department of General Services
* Department of Personnel
* Accounting functions of the Department of Revenue and Finance

**Reorganization Goal** The goal of the reorganization is to merge core services currently provided to all State agencies in a fragmented approach by each of the above entities. The resulting department would include human resources, training, purchasing, accounting, facilities, maintenance, vehicle fleet, mail, printing, and information technology.



**Net Appropriation** The Governor is recommending a net appropriation of $17.0 million from the General Fund. This is a net decrease of $3.9 million (18.6%) compared to estimated net FY 2002. The table below presents the estimated net FY 2002 appropriation and FY 2003 Governor’s recommendation from the General Fund for each of the individual entities and provides the amount of the change.

**Other Funds** If the General Assembly would decide to create a new, consolidated department, the other funding sources and revolving funds of the various entities would also need to be moved to the new department.



**More Information** Additional information is available on the LFB web site at: http://staffweb.legis.state.ia.us/lfb/miscpubs/lagar\_fy2003.pdf.

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Legislative Udpate on Accountable Government Act

**Meeting**  At the request of the Department of Management (DOM), House Leadership invited all Appropriations Committee Members, and the Appropriations Subcommittee Chairpersons, Vice Chairpersons, and Ranking Members to attend a meeting on January 23.



**Presentations** The Legislators heard presentations from and discussed the following:

* Cynthia Eisenhauer, Director, DOM, presented an overview of the Department’s efforts to date and future plans to implement the Accountable Government Act, passed by the 2001 General Assembly. Ms. Eisenhauer discussed efforts in the areas of:
* Strategic Planning
* Performance Measurement
* Performance Planning
* Results-Oriented Budgeting
* Performance Audits
* Performance Reporting
* Performance Contracting
* Return on Investment Measurement
* Ms. Eisenhauer noted the first three items were progressing well, but the remaining items were contingent on the acquisition of a new budget system. She stated the Governor was recommending funding for an enterprise planning system, including a new budgeting component, and requesting staff for continued implementation of the project and for implementation of the performance audit segment.
* Nickie Whitaker, DOM, discussed the issuance of a Request for Proposal related to the implementation of an Enterprise Resource Planning System. Several vendors responded and DOM plans to invite Legislators to a demonstration by a Vendor on how performance data can be integrated into the budget system and potentially used to assist in budget decision-making.
* Jim Chrisinger, DOM, presented sample documents from the Enterprise Planning Teams, showing how data is being used in DOM and shared with the Governor, and discussed how it may be useful for Legislators. Mr. Chrisinger noted this information will be shared with the Legislative Fiscal Bureau on a quarterly basis and can be made available for use by Appropriations Subcommittees.

**Suggestions** Legislators made the following requests for improvements to be incorporated into any new enterprise planning or budgeting system:



* Develop a uniform presentation format for all departments in strategic plans. A one-or two-page summary presenting goals and performance measures for those goals in the plans would also make the documents more useful.
* List all service contracts, particularly personal service contracts that include staff that do not show in the department’s FTE levels.
* Achieve uniformity across all departments as to what is included in each budget line item, so they are truly comparable across departments.
* Provide a mechanism for Legislative review and buy-in on department goals.

Ms. Eisenhauer stated the Department would work toward those improvements.

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College Student Aid Commission Requests Transfer from Reserve Fund

**Reserve Fund Transfer** The College Student Aid Commission has requested a transfer of $411,000 from the Scholarship and Grant Reserve Fund. The balance of the Fund as of December 31, 2001, was $411,207.

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**Reason for Transfer** The transfer would be used to fund an FY 2002 shortfall in the Iowa Tuition Grant Program resulting from the 4.3% across-the-board reduction approved in the Second Extraordinary Session. Iowa Tuition Grants are awarded only to students attending Iowa’s nonpublic colleges and universities.

**Prior-year Reversions** The Scholarship and Grant Reserve Fund receives prior-year reversions from the Grant Programs listed below. The amounts shown are the FY 2001 reversions.

* Iowa Tuition Grant Program - $156,000
* Iowa Vocational-Technical Grant Program - $70,416
* State of Iowa Scholar Program - $39,747

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Midwest Interstate Passenger Rail Compact – HF 193

**HF 193 – Rail Compact** The House State Government Committee passed House File 193, which establishes Iowa’s membership into the proposed Midwest Interstate Passenger Rail Compact. The Compact includes a consortium of the following 12 Midwestern states: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

**Purpose** The purposes of this compact are as follows:

* To promote development and implementation of improvements to intercity passenger rail service in the Midwest.
* To coordinate interaction among Midwestern state-elected officials and their designees on passenger rail issues.
* To promote development and implementation of long-range plans for high-speed rail passenger service in the Midwest and among other regions of the United States.

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* To work with the public and private sectors at the federal, state, and local levels to ensure coordination among the various entities having an interest in passenger rail service and to promote Midwestern interests regarding passenger rail.
* To support efforts of transportation agencies involved in developing and implementing passenger rail service in the Midwest.

**Commission** The compact would be presided over by a Commission comprised of four Governor appointees from each member state. The primary duties of the Commission would involve advocating for the funding and authorization to improve passenger rail service (including high-speed rail service) in the 12-state region and identify ways that states can form partnerships between the public and private sectors.



**Annual Dues** The legislation allows the Commission to establish an office, hire staff, contract for services, and assess dues to the compacting states. It is anticipated that the annual dues would be approximately $25,000 per state. In Iowa, the funds would need to be appropriated by the General Assembly or funded through the Department of Transportation’s budget with existing funds.

**Proposed Route Expansion** One of the passenger rail route expansions proposed by the Midwest Regional Rail Initiative includes a high-speed route connecting Chicago to Omaha. The new services would be routed through central Iowa along the existing Iowa Interstate rail corridor. The total capital cost of the proposed service is estimated to be $400.0 million. It is anticipated that 80.0% of the funding ($320.0 million) would be financed with federal funds. Of the remaining $80.0 million, $50.0 million would be Iowa’s estimated share of the project. The cost would include track rehabilitation and purchase of rolling stock. The cost to operate the service is expected to be self-supporting.

**High-Speed Rail Initiative** The proposed Chicago-to-Omaha route is part of a larger regional rail initiative to develop high-speed rail service throughout the 12-state region, with Chicago being the central hub from which service would radiate. The total cost of the entire system is estimated at $4.1 billion and would be funded with 80.0% federal and 20.0% state/local funds over a ten-year period.

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Iowa Communications Network Long Range Plan

**ICN – Long Range Plan** The Iowa Communications Network (ICN) updated its Long Range Plan in December 2001, and has submitted the plan to the Legislative Fiscal Bureau.

**Plan Contents** The plan includes the mission, goals, and strategies of the ICN and includes the results of a customer survey related to satisfaction with the services provided by the ICN.

**Copies Available** Copies of the Plan are available in electronic form from the Legislative Fiscal Bureau by calling (515) 281-5279.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Iowa College and University Endowment Balances

**College Endowment Report** The ***Chronicle of Higher Education*** recently released a report on the value of college endowments. As of June 30, 2001, the value of college endowments nationally dropped 3.6% compared to the previous year. Fiscal year 2001 was the first year of decline since 1984.

**Grinnell College** However, nationally, of the 41 endowments with assets exceeding $1.0 billion, nine had positive returns, including Grinnell College. The Grinnell College endowment fund increased in value by 18.8% in FY 2001, due mainly to a 24.8% return on investments. Grinnell invests primarily in value stocks – defined as stocks believed to be priced below their real worth. An 85.0% allocation to value stocks during FY 2001 did well last year even though the stock market as a whole was down.

**National Results** National results in endowment growth are illustrated below:

|  |  |  |
| --- | --- | --- |
| **All Endowments** | **-3.6%** | |
| By Size $100.0 million and under  Over $100.0 million to $500.0 million  Over $500.0 million to $1.0 billion  Over $1.0 billion | -3.7%  -3.4%  -5.2%  -1.6% | |
| By Type of Institution Public  Private | -3.8%  -3.4% | |
| Comparative Measurements Standard & Poor’s 500 Index  Russell 3000 Index  Lehman Brothers Aggregate Bond Index  Consumer Price Index | -14.8%  -13.9%  +11.2%  +3.2% | |
| NOTE: The figures represent total-return rates – including changes in market value plus dividends and interest – for FY 2001, based on data from 610 college and university investment pools. | | |

**Iowa Colleges/Universities** Results for Iowa colleges and universities are illustrated below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Natl.**  **Rank** | **Institution** | **June 30, 2000** | **June 30, 2001** | **One-year**  **Change** |
| 40 | Grinnell College | 862,487 | 1,024,671 | +18.8% |
| 73 | University of Iowa | 537,061 | 635,507 | Not Avail. |
| 117 | Iowa State University | 410,704 | 368,332 | -10.3% |
| 278 | Buena Vista University | 117,561 | 115,326 | -1.9% |
| 282 | Drake University | 118,665 | 114,323 | -3.7% |
| 380 | Simpson College | 67,707 | 63,183 | -6.7% |
| 384 | Cornell College | 68,313 | 61,950 | -9.3% |
| 392 | Luther College | 57,841 | 58,640 | +1.4% |
| 423 | Central College | 48,958 | 48,981 | 0.0% |
| 460 | Coe College | 40,604 | 40,661 | +0.1% |
| 492 | University of Northern Iowa | 36,076 | 34,255 | -5.0% |
| 510 | Morningside College | 30,582 | 30,041 | -1.8% |
| 554 | University of Dubuque | 19,468 | 19,418 | -0.3% |
| 573 | Dordt College | 16,411 | 16,147 | -1.6% |

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*Issue Review* – Effects of Raising the Speed Limit

***Issue Review*** The LFB recently completed an ***Issue Review*** on the effects of raising the speed limit, including the changes in the number and rate of fatalities and injuries from 1995 to 1996 for Iowa and the nation, in addition to fatalities and injuries by road type.

**Speed Limits** In 1995, the National Mandatory Speed Limit was repealed, returning the power to establish speed limits to the states. By late 1996, 32 states, including Iowa, raised speed limits. The remaining 19 states, including the District of Columbia, maintained previous speed limits.

**Midwestern States Study** Shortly after repeal of the National Mandatory Speed Limit, Iowa’s Safety Management System Task Force on Speed Limits conducted a study on eight Midwestern states to determine if the number of motor vehicle fatalities increased since 1995. For the study, the states were divided into two groups: those that did not raise the speed limit above 65 mph after 1995 and those that raised it above 65 mph after 1995. The results are as follows:

**Fatalities** The above data includes only the number of fatalities, not the rate (fatalities per 100 million vehicle miles traveled). Recent data from the Federal Highway Administration (FHWA) and the National Highway Traffic Safety Administration (NHTSA) use vehicle miles of travel as a measure in determining fatality rates. Their data indicates the overall fatality rate – for Iowa and the nation – has decreased since repeal of the National Mandatory Speed Limit in 1995:

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LOTTERY REVENUES AND EXPENDITURES THROUGH DECEMBER



**December Rev./Exp.** Through December FY 2002 Lottery game revenues increased $8.3 million from the FY 2001 level. Lottery prize expenses increased $4.0 million, operating expenses increased $0.7 million, and transfers to State funds increased $3.9 million. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.

**Comparison to FY 2001** Fiscal year sales through December, compared to the same time period of FY 2001, were as follows:



* Instant ticket sales decreased $2.5 million (6.3%).
* Pick 3 sales increased $314,000 (16.7%).
* Multi-State Powerball sales increased $10.4 million (43.6%).
* Rolldown sales decreased $311,000 (28.7%).
* Freeplay Replay sales decreased $226,000 (54.9%).
* Cash 4 Life sales decreased $481,000 (100.0%).
* Daily Game sales increased $42,000 (2.1%).
* Pull-tab sales decreased $65,000 (0.5%).

**Ticket Sales** Total Lottery sales through December were $90.3 million, an increase of $8.3 million (10.2%) compared to December 2000. July through December 2001 sales for the Daily Game, Powerball and Pick 3 were above sales for the same period during FY 2001. Included in the sales amount was the receipt of $1.2 million due to the demutualization of Principal Mutual Life Insurance Company.

**Estimated Transfers** The December Revenue Estimating Conference (REC) projected FY 2002 Lottery profit transfers to the General Fund will total $32.5 million. Actual profit transfer for FY 2001 was $35.4 million. Therefore, the REC is currently estimating General Fund Lottery transfers will be $2.9 million (8.2%) lower in FY 2002 than in FY 2001. Through December, FY 2002 transfers to the General Fund are $3.8 million (24.0%) above FY 2001.

**Sales Tax** In addition to the amount transferred to the State as profits, the Lottery has transferred $4.5 million in sales tax during FY 2002.

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This document can be found on the LFB web site:

<http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>