

FISCAL UPDATE

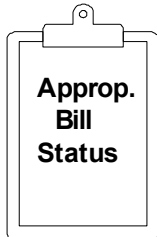
March 17, 2003

Legislative Fiscal Bureau

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STATUS OF APPROPRIATIONS BILLS



Appropriations Subcommittee Bills			
Appropriations Subcommittee		LSB/File #	Status
Admin./Regulation		LSB 1119JA	Passed Joint Subcommittee on March 6.
Ag./Natural Resources		LSB 1120JA	Passed Joint Subcommittee on March 4.
Economic Development		LSB 1121JA	Starts in the Senate.
Education		LSB 1122JA	Starts in the House.
Health & Human Services			Starts in the House.
Justice System		LSB 1125JA	Starts in the Senate.
Judicial Branch		LSB 1126JA	Starts in the Senate.
Infrastructure			Starts in the Senate.
Transportation		LSB 1127JA	Starts in the House.

Other Appropriations Bills			
Block Grant and Federal Funds Bill		HF 472	Passed House Appropriations on March 5.
Property Tax Replacement Supplemental		SF 202	Passed the Senate on February 26.
Breast Cancer Awareness License Plates		SF 127	Signed by the Governor on March 12.
Animal Biotechnology Commercialization Fund		HF 453	Passed House Appropriations on March 10.

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Other Appropriations Bills (cont.)			
Tobacco Settlement Trust Fund Bill			Starts in the House.
Non-Medicaid Supplemental Act		SF 36	Signed by the Governor on February 17.
Oil Overcharge		LSB 1091H	Starts in the House.
Private Water Supply		HF 255	Passed House Appropriations on March 3.
Healthy Iowans Tobacco Trust Fund Bill			Starts in the House.
Salary Bill			Starts in the House.
Standings Bill			Starts in the House.

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BREAST CANCER AWARENESS LICENSE PLATES ACT – SF 127 SIGNED BY GOVERNOR

Awareness License Plate



Senate File 127 (FY 2004 Breast Cancer Awareness License Plates Act) was signed by the Governor on March 12. The Act creates a new Breast Cancer Awareness license plate. Fees from the sale of the plates are allocated to the Department of Public Health to distribute grants to Iowa affiliates of the Susan G. Komen Foundation or similar nonprofit organizations. The following estimate provides the amount of revenue generated based on the sale of 500 to 1,000 plates.

- Year 1: \$17,000 to \$35,000.
- Subsequent Years: \$5,000 to \$10,000.

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ANIMAL BIOTECHNOLOGY COMMERCIALIZATION APPROPRIATIONS BILL – HF 453 PASSES HOUSE APPROPRIATIONS COMMITTEE

Animal Biotechnology

The House Appropriations Committee passed HF 453 (FY 2004 Animal Biotechnology Commercialization Appropriations Bill) on March 10. The Bill creates the Animal Biotechnology Commercialization Fund and appropriates \$33.0 million, which includes \$23.0 million from tax-exempt bond proceeds of the Restricted Capital Fund and \$10.0 million from the Rebuild Iowa Infrastructure Fund (RIIF) over three fiscal years. The appropriations are summarized below:

- Appropriates \$15.0 million for the construction of animal product purification facilities. The appropriation includes: \$5.0 million for FY 2003 and \$5.0 million for FY 2004 from the Restricted Capital Fund in the form of grants, and \$5.0 million in loans from the RIIF. The Bill requires the appropriations to be matched with \$10.0 million in non-State funds.
- Appropriates \$5.0 million in FY 2005 from the RIIF for loans to construct biotechnology-related facilities that implement life science enterprise plans.

- Appropriates \$3.0 million in FY 2004 to the Board of Regents for the construction of an animal biotechnology commercial pharmaceutical research center at Iowa State University.
- Appropriates \$10.0 million in FY 2005 for the construction of commercial animal biodefense pharmaceutical production and processing facilities.

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SEXUAL EXPLOITATION BY SCHOOL EMPLOYEES – SENATE FILE 169 PASSES SENATE ECONOMIC GROWTH COMMITTEE

Sexual Exploitation

The Senate Economic Growth Committee passed Senate File 169 (Sexual Exploitation by Teachers Bill) March 4. The Bill creates a criminal offense of sexual exploitation by a school employee, provides a penalty, and permits the Board of Educational Examiners to perform background checks of individuals seeking renewal of a license or certificate. The Board currently conducts approximately 5,000 background checks annually for applicants seeking new licenses and charges each applicant a fee of \$18 to reimburse the Division of Criminal Investigation and to defray other costs.

Correctional Impact

The correctional impact of SF 169 cannot be determined due to insufficient information with which to estimate the number of additional convictions, prison terms, jail terms, and/or probation terms that will result.

Fiscal Impact

The estimated net fiscal impact of SF 169 to the operating funds of the Board of Educational Examiners is \$49,000 in FY 2004 and \$43,000 in FY 2005.

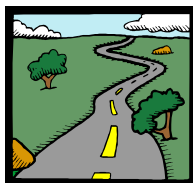
More Information

The fiscal note on SF 169 is available on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/fiscalnotes>.

STAFF CONTACT: Robin Madison (Ext. 15270)

DEPARTMENT OF TRANSPORTATION (DOT) OMNIBUS BILL – SENATE FILE 97 PASSES HOUSE

Transportation Policy



Senate File 97 (FY 2004 Department of Transportation Omnibus Bill) passed the House, as amended, on March 12. The Bill provides several transportation-related policy changes for the Department of Transportation (DOT). Highlights include:

- Eliminates the requirement for the Department to regulate junkyards along primary highways.
- Eliminates the requirement for the Department to regulate the placement of political signs on private property.
- Eliminates the State Aviation Hangar Revolving Loan Fund.
- Allows the DOT to waive or refund fees for a renewal or duplicate license or identification card under certain circumstances.
- Allows for a one-time surcharge fee of \$3.00 for driver's licenses, in addition to the license fee. The surcharge fee would be in effect from July 1, 2003, to June 30, 2008. The DOT will use the additional fees for the following:

- Costs associated with the rewrite of the driver's license issuance and records system.
- Reimbursement to county treasurers. For each county issuance or renewal of a driver's license or non-operator identification card, county treasurers will retain an additional \$1.25 in FY 2004 and FY 2005 only.
- Moneys in excess of the amount needed to fund the system rewrite and to reimburse counties will be deposited into the Road Use Tax Fund.
- Requires the DOT and the Iowa County Treasurer's Association to conduct a study of the County Driver's License Issuance Program, including the financial effect the Program has had on counties. The Department will report findings and recommendations to the General Assembly by December 31, 2003.
- Requires the DOT to be consistent with federal law when establishing rules for motor carrier safety.
- Amends regulations relating to transporting agricultural hazardous materials.
- Requires urban public transit systems to utilize private-sector operators, if practical, in the planning of transit services.

Fiscal Impact

The estimated net fiscal impact of SF 97, as amended, is an increase in revenue of \$50,000 to the Road Use Tax Fund and an increase in revenues of \$750,000 to the counties' General Fund.

Of the \$9.8 million in revenues generated from the one-time surcharge fee for driver's licenses, approximately \$9.0 million will be expended on upgrading the driver's license issuance and records system, and approximately \$800,000 will be retained by the counties. Moneys in excess of the amount needed to fund the system rewrite and the amount retained by counties will be deposited into the Road Use Tax Fund.

Driver's License Study

Costs associated with the county driver's license issuance study will be absorbed by the DOT and County Treasurer's Association. No additional staff will be needed.

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AUDITOR OF STATE BRIEFING

Auditor Briefing



At an Auditor of State briefing on March 11, information was presented regarding various fund transfers and expenditure shifts from FY 2001 to FY 2003. David Vaudt, Auditor of State, identified that approximately \$1.0 billion has been utilized from non-General Fund sources over the three years as follows:

- \$134.7 million in Fiscal Year 2001.
- \$533.2 million in Fiscal Year 2002.
- \$378.7 million in Fiscal Year 2003.

The largest amounts from non-General Fund areas include:

- \$241.0 million from the Economic Emergency Fund.
- \$140.7 million from the Senior Living Trust Fund.

- \$110.3 million from the Tobacco Settlement Endowment Fund.

Approximately \$375.0 million (40.0%) of the non-General Funds are to be repaid as a result of legislative actions. The planned repayments are:

- \$222.7 million to the Economic Emergency Fund.
- \$51.5 million to the Senior Living Trust Fund.
- \$100.5 million to the Tobacco Settlement Endowment Fund.

Additional transfers from the Senior Living Trust Fund for Medicaid and transfers from other non-General Fund areas are being proposed in FY 2004 and are not included in the specified amounts.

The State Auditor:

- Suggested that a repayment plan be developed and followed.
- Recommended that all non-General Fund resources be evaluated, and the impacts on services currently funded with these resources be determined if repayments are not made.

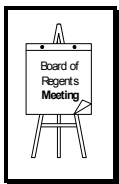
More Information

For more information, contact the Legislative Fiscal Bureau.

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MARCH BOARD OF REGENTS MEETING

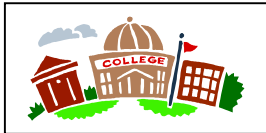
Regents Meeting



The Board of Regents met March 11-12 at Iowa State University in Ames. Significant agenda items included:

- Spring Enrollment Report. For Spring 2003, headcount enrollment at the Regents universities totaled 67,040 students compared to 66,515 students during Spring 2002, an increase of 525 students (0.8%). The full-time equivalent enrollment totaled 58,922, an increase of 883 (1.5%) compared to Spring 2002.
- Annual Report on International Agreements and Study Abroad. During 2001-2002, the three universities had a total of 150 active and proposed agreements with international educational institutions and other agencies involving 52 different countries. The Report provides information regarding:
 - International agreements and linkages.
 - Study and work abroad activities.
 - Profiles of student participants.
- Accreditation Reports for Iowa State University (ISU). The following accreditation reports were reviewed:
 - Bachelor of Architecture and Master of Architecture Programs.
 - Student Counseling Service.
 - Bachelor of Science in Forestry Program.
 - Bachelor of Science and Master of Science in Community and Regional Planning.

- Athletic Training Program.
- Computer Science.
- Governance Report on University Residence Systems. The Report included the following:
 - Five-year plans for FY 2004 through FY 2008.
 - Proposed academic year 2003-2004 rate increases for combined double occupancy residence hall room and board of \$5,701 at the University of Iowa (SUI), \$5,740 at ISU, and \$4,918 at the University of Northern Iowa (UNI).
 - Proposed academic year 2003-2004 rates for all residence halls, board options, apartments, and miscellaneous residence charges.
 - Preliminary FY 2004 residence system budgets. Final approval will be made in July.
 - Approval of the transfer of \$2.0 million from the UNI Residence System (Dormitory) Surplus Fund to the Improvement Fund.
- Proposed Parking Rates. Each university has parking systems that are self-supporting through user fees. The parking systems do not receive any State-appropriated funds.
- Preliminary Consideration of Miscellaneous Fees and Charges. Miscellaneous fees include tuition-related and non-tuition-related fees. The Board approved tuition-related fees in November 2002. Non-tuition fees include a variety of items ranging from course delivery fees to private music lessons. Proposed fee changes included:
 - SUI – four new fees for FY 2004, increases in seven fees ranging from \$1 to \$100, and the elimination of three fees.
 - ISU – one new fee, increase in five fees ranging from \$1 to \$54, and the elimination of nine fees.
 - UNI – two new fees, increases in 16 fees ranging from \$1 to \$104, and elimination of three fees.
- Banking Committee Report. The Committee recommended and the Board approved the following:
 - Selection of Wellington Management Company as the new short duration fixed income manager for option use by the Regent institutions for their operating portfolios.
 - A resolution for sale and award of \$21.6 million of Dormitory Revenue Bonds for ISU.
 - A revised schedule for issuance of bonds for April and May of 2003.
 - A resolution authorizing the Executive Director to fix the sale dates for up to \$10.6 million of Academic Building Revenue Refunding Bonds for the SUI.
 - A resolution authorizing the Executive Director to fix the sale dates for up to \$9.2 million of Academic Building Revenue Refunding Bonds for the UNI.



- Authorized the SUI to utilize master lease financing in the amount of \$700,000 for the purchase of property located at 2421 James Street in Coralville, IA.
- Approved the College of Design at ISU to continue offering a computer lease program to students. The Board authorized allowing ISU to enter into a financing arrangement of up to \$600,000 for FY 2004 for the third year of the computer lease program.
- The Board approved the Register of Capital Improvements at the SUI for the period of December 17, 2002, through February 12, 2003.

Next Meeting

The next meeting of the Board is scheduled for April 10 at the University of Northern Iowa in Cedar Falls.

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NEW BOARD OF REGENTS MEMBERS APPOINTED**Board of Regents**

Governor Vilsack recently appointed two new members to the Board of Regents and reappointed the student member. The new members are:

- Robert N. Downer. Mr. Downer, 63, of Iowa City, is a partner in the law firm of Meardon, Sueppel and Downer. He holds undergraduate and Law degrees from the University of Iowa.
- John D. Forsyth. Mr. Forsyth, 55, of West Des Moines, is Chairman and CEO of Wellmark, Inc.

The Governor also reappointed Neala Arnold, 22, of Bettendorf as the student representative member of the Board. Ms. Arnold is a senior at the University of Iowa majoring in elementary education. She is a 1999 graduate of Pleasant Valley High School.

Mr. Downer and Mr. Forsyth replace Board members Clarkson Kelly and David Fisher, whose terms expire this year. Both new members are subject to confirmation by the Iowa Senate. If confirmed, their terms will expire in 2009.

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MARCH COUNCIL ON HUMAN SERVICES MEETING**Human Services Council**

The Council on Human Services met March 12 and conducted the following business:

Approved administrative rules relating to:

- Eliminating the self-employment demonstration projects as part of the Family Investment Program work requirement. Fiscal information was not provided.
- Changes to eligibility requirements for aliens for Food Stamps. Fiscal information was not provided. Food Stamp costs are typically federally funded.
- Providing a new version of changes delayed until September 1 to reflect possible federal changes for the elimination of the expanded specified low-income Medicare beneficiaries coverage group. Fiscal information was not provided. Information provided previously indicated that a portion of these beneficiaries would become eligible for Medicaid, which would result in a cost to the State.



Noticed Rules

Approved the Director's Noticed Rules for action at a future meeting:

- Changing eligibility for refugee services to include alien immigrants certified by the federal Department of Health and Human Services. Information included with the proposed rule indicates no fiscal impact.
- Changes to various contested case proceedings, based upon Executive Order 8. Information included with the proposed rule indicates no fiscal impact.
- Changes in child support recovery proceedings, parental location efforts, payment disbursements, and the collection of support. Many of the changes relate to Executive Order 8 regarding clarification and simplification of administrative rules. Press releases by the Department of Human Services indicate projected savings of \$35,000 per month. Information included with the proposed rule indicates no enumerated savings.

Child Welfare

A representative of the Department discussed various child welfare issues, including:

- Community partnerships in pilot sites originally funded from the Clark Foundation in cooperation with the National Conference of State Legislatures.
- The status of the federal Child and Family Service Review scheduled for May 2003.
- New programs providing assistance to youth no longer eligible for foster care services.

A representative of the Department provided an update regarding the FY 2003 budget and the FY 2004 Governor's budget recommendations.

A representative of the Department provided an update on pending federal action regarding Welfare Reform reauthorization.

Director's Report



The Interim Director, Sally Titus Cunningham, and the Governor's nominee for the Director of the Department of Human Services, Kevin Concannon, provided a joint Director's Report: Items included:

- Possible budget reductions by the Governor's consultant, including:
 - Utilization of a limited number of nursing home facilities in the State.
 - Contracting with a limited number of child welfare service providers.
 - Encouraging utilization of veteran benefits prior to eligibility for Medicaid.
- The pending federal Department of Justice report for the State Resource Centers at Glenwood and Woodward.
- The President's proposal for changes in Medicaid, with a block grant process in lieu of an entitlement program.
- The President's proposal increasing the number of hours per week that a recipient of the Family Investment Program would be required to work to continue eligibility.
- The importance of a relationship between long-term care and mental health services.

- Prescription drug cost increases.

Members of the Council discussed:

- Training provided for staff of the Department regarding implementation of the federal Health Insurance Portability and Accountability Act (HIPAA) confidentiality requirements.
- Chairperson Louscher serving as a short-term member of the Mental Health and Developmental Disabilities Commission representing the Department.

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GOVERNOR APPOINTS NEW DIRECTOR OF THE DEPARTMENT OF HUMAN SERVICES

New DHS Director

On March 11, the Governor appointed Kevin Concannon as the new Director of the Department of Human Services. Mr. Concannon will begin his duties on March 28, subject to confirmation by the State Senate. His background includes:

- Maine Department of Human Services Commissioner from February 1995 to February 2003.
- Oregon Department of Human Services Director from 1987 to 1995.
- Maine Department of Mental Health and Mental Retardation Commissioner from 1980 to 1987.
- Degrees from Saint Francis Xavier University and the Maritime School of Social Work.

Mr. Concannon's salary has been set by the Governor at \$126,000.

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FEDERAL MONEY FOR HOMELAND SECURITY

Homeland Security

The U.S. Department of Homeland Security announced that Iowa will receive \$7.6 million to help local public safety officials prevent and respond to terrorism. Approximately \$566.0 million in federal money was distributed to States based on population. The money can be used for equipment, training, and planning.

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