

FISCAL UPDATE

January 31, 2005

Legislative Services Agency

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

GOVERNOR'S FY 2005 AND FY 2006 BUDGET RECOMMENDATIONS



Document Contents

The Governor will release his FY 2005 and FY 2006 budget recommendations on January 31. Once the Governor's budget is made public, the Fiscal Services Division of the Legislative Services Agency will release the publication, **Summary of FY 2006 Governor's Recommendations**. The document will be distributed to legislators and legislative appropriations staff and will be available on the Fiscal Services Division web site: <http://staffweb.legis.state.ia.us/lfb/>.

The Fiscal Services Division document contains information concerning General Fund receipts and expenditures, department requests, and the Governor's FY 2006 appropriations recommendations in an annotated spreadsheet format. Included in the Summary are projected balance sheets for the General Fund, and various other funds such as the Rebuild Iowa Infrastructure Fund, the Environment First Fund, the Senior Living Trust Fund and the Tobacco Settlement Funds. The document reflects the traditional and statutorily required departments' requests as well as the Governor's budget recommendations under the new Purchasing Results methodology.

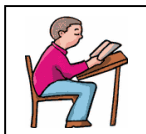
STAFF CONTACT: Holly Lyons (Ext. 17845)

HOUSE PASSES FY 2007 ALLOWABLE GROWTH RATE BILL – SF 36

Appropriations Bill

The House passed SF 36 (FY 2007 Allowable Growth Rate) on January 24. The Bill establishes the FY 2007 allowable growth rate at 4.0%. The Bill will be sent to the Governor.

Highlights



Highlights of the Bill include:

- The school district cost per pupil is increased by \$197, bringing the FY 2007 State cost per pupil to \$5,128.
- State Foundation Aid would total \$2,074.1 million, an increase of \$99.5 million (5.0%) compared to FY 2006.

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- Foundation Property Tax would total \$1,072.9 million, which is an increase of \$27.7 million (2.7%) compared to FY 2006.
- The budget guarantee would total \$14.0 million (this amount is included in the total Foundation Property Tax amount), and 133 school districts would be eligible to receive the budget guarantee. Of these school districts, 46 would receive the 101.0% budget adjustment, and 87 would receive the scaled-down budget adjustment.

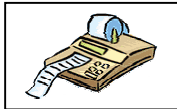
More Information

The Notes on Bills and Amendments (NOBAs) for SF 36 is available on the Legislative Services Agency's (LSA) web site at:
<http://www3.legis.state.ia.us/noba/>.

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HOUSE PASSES BUSINESS DEPRECIATION AMENDMENT BILL – HF 102

Ways and Means Bill



The House passed HF 102 (Business Depreciation Amendment Bill) on January 25. The Bill allows taxpayers an additional method to take advantage of depreciation allowances enacted in HF 2581 (2004 Special Session Bonus Depreciation and Expensing Act) by allowing taxpayers to include the additional depreciation as part of their tax return for the next tax year. Under HF 2581, the taxpayer was restricted to filing amended returns in order to receive the benefit.

Fiscal Impact



In determining the fiscal impact of HF 2581, it was assumed a percentage of eligible taxpayers would not file amended returns due to the expense of preparing and filing those returns. House File 102 should make it possible for taxpayers to benefit from the depreciation changes; therefore, the revenue reduction associated with the depreciation and expensing changes is projected to be somewhat higher than under HF 2581.

House File 2581 was projected to reduce General Fund revenue by \$87.2 million over two fiscal years (FY 2005 and FY 2006). House File 102 is projected to further reduce General Fund revenue by the following amounts:

- FY 2005 – \$2.25 million
- FY 2006 – \$1.25 million



Subcommittee Referral

The Senate referred the Bill to a Ways & Means Subcommittee of Senators Connolly, Hahn, Stewart, and Zaun.

More Information

The Fiscal Note for HF 102 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscal/notes/>.

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ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE MEETINGS

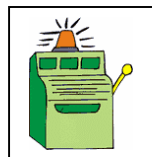
Subcommittee Meetings

The Administration and Regulation Appropriations Subcommittee met the week of January 24 and conducted the following business:

January 25

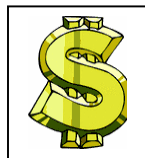
The Subcommittee received presentations from the following:

- David Vaudt, State Auditor, on the Condition of the State Budget.
- Jim Chrisinger, Department of Management (DOM), on the Governor's new budgeting tool for purchasing results with buyer and seller teams.

January 26

A joint meeting was held with the Government Oversight Committee. A presentation was given by Ed Stanek, Iowa Lottery Authority, and Jean Davis, Department of Inspections and Appeals, on the regulation of mechanical amusement devices and the impact on State revenues. The Committees requested the following:

- A list of complaints and the action taken by the Alcoholic Beverages Division against establishments for underage or illegal gaming.
- A breakdown by the Lottery of the average amount wagered on TouchPlay machines between liquor establishments and other locations.
- A list, from the Department of Public Safety (DPS), of violations submitted for prosecution that have not been prosecuted and the reasons they have not been prosecuted.
- Information is not available on the amount spent by Iowans on electronic amusement devices.

January 27

Director Mollie Anderson, Department of Administrative Services (DAS), provided information on how the Department is funded and operates; revolving funds; the purpose of the distribution account and activity; how customer councils operate and proposed rates; billing process; agency choices; and related issues. Denise Sturm responded to questions. The Department agreed to provide the following:

- How much of the funding that distributed to State agencies for the payment of DAS billings is being used to purchase services from someone other than the DAS.
- The amount of savings generated by the creation of the DAS.
- The payment history for federal over-recovery by the State Appeal Board.
- A list of services provided by the DAS that indicates the number of customers, the number used for each service to which the rate is applied, and total revenue for each service or product. The request is for both market place and utility services.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=32>.

STAFF CONTACT: Ron Robinson (Ext. 16256) Douglas Wulf (Ext. 13250)
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AGRICULTURE AND NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings

The Agriculture and Natural Resources Appropriations Subcommittee met the week of January 24 and conducted the following business:



- On January 25, Ken Tow, Department of Agriculture and Land Stewardship (DALs), provided an overview on the programs in the Soil Conservation Division.
- On January 26, Mike Bevins, DALs, provided an overview on the Farmer's Market Coupon Program.
- On January 27, Ron Rowland, DALs, provided an overview on the regulation of milk processing and related programs.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=33>.

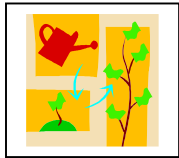
STAFF CONTACT: Debra Kozel (Ext. 16767)

**ECONOMIC DEVELOPMENT APPROPRIATIONS
SUBCOMMITTEE MEETINGS**

Subcommittee Meetings

The Economic Development Appropriations Subcommittee met the week of January 24 and conducted the following business:

January 25



Director Michael Blouin and various staff members from the Department of Economic Development presented an overview of the programs, activities, and issues of the Department. Included in the presentation was an update on Federal Economic Stimulus and Jobs Holding Fund (Former Grow Iowa Values Fund) Programs. The Department indicated that the funds have helped to increase leads/projects from 51 in January 2003 to 424 currently.

January 26

Jim Riordan, Chairperson, Public Employment Relations Board, provided information on Board activities. The Board is comprised of three members and seven support staff. Activities in which the Board participates include, but are not limited to, adjudication, mediation, fact-finding and arbitration, labor/management cooperation, and research and education.

Director Mike Tramontina, Iowa Finance Authority (IFA), provided an overview of the Authority's programs and financials. The IFA is an instrumentality of the State and can be divided into two separate functions, a housing authority and administrator of the State Revolving Fund.



As a housing authority, the IFA aims to provide affordable housing to middle and low-income individuals through a number of single family, multi-family, and other housing programs. The funding for these programs comes from a number of sources, including, but not limited to issuance of mortgage-backed securities, Title Guarantee revenue, and federal support.

The Authority operates the State Revolving Fund Program in partnership with the Department of Natural Resources. The Program is funded through capitalization grants from the U.S. Environmental Protection Agency, proceeds of bonds issued by the Authority, and loan repayments. The Program provides low-cost loans to assist with the costs of infrastructure projects for clean water and drinking water.

January 27

Representatives from the Regents Economic Development Programs presented an overview of the various programs at each of the State

Universities. The following programs receive appropriations from the Economic Development Appropriations Subcommittee:

- University of Iowa
 - Oakdale Research Park – 189-acre research park that leases building and lab space to companies. Companies located in the research park have access to the University's research resources.
 - Technical Innovation Center – Business incubator offering companies office and lab space for collaborative work between academia and entrepreneurs.
 - Center for Advanced Drug Development – Partnership between the College of Pharmacy and the Division of Pharmaceutical Service that provides pharmaceutical research for industry.
- Iowa State University
 - Institute for Physical Research and Technology (IPRT) – Assists Iowa companies in solving technical problems, creating new products, increasing productivity and quality, and launching start-up companies.
 - Small Business Development Centers – Provides small business counseling and training.
 - Research Park/Iowa State Innovation Systems (ISIS) – Technology incubator that identifies technology-based concepts and businesses at early stage development and provides an environment for growth.
- University of Northern Iowa
 - Metal Casting – Provides testing, research, and training to Iowa Foundries.
 - Institute of Decision Making – Provides economic development services, including economic impact analysis, planning, targeting, and marketing.



Next Meeting

The next meeting is scheduled for February 1. The Subcommittee will receive a presentation on the history and process of purchasing results from Jim Chrisinger, Department of Management.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=34>

STAFF CONTACT: Russell Trimble (Ext. 14613)

EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings



The Education Appropriations Subcommittee met the week of January 24 and received the following presentations:

- State Library – State Librarian Mary Wegner provided information about library services and discussed funding issues related to the State Library, the Library Service Areas, and direct aid to local libraries.
- Department of Cultural Affairs – Director Anita Walker discussed new initiatives.



- Board of Educational Examiners – The new Director, George Maurer, discussed issues related to the Board. He recommended that the General Assembly authorize the Board to retain 100.0% of fee revenue in order to make it fully self-supporting. Roger Stirlor, Department of Education, said the Department agrees with that recommendation. The Board currently retains approximately 48.0% of fee revenue, with the remainder being deposited into the General Fund. In FY 2005, the Board is projected to retain \$540,000 in fee revenue, with \$585,000 going to the General Fund.
- Iowa Public Television – Director Dan Miller provided an update on high school programming, special projects, and funding issues.

Tentative Schedule

The tentative schedule for the week of January 31 is as follows:

- Tuesday, February 1 – Board of Regents.
- Wednesday, February 2 – Review of Governor’s budget recommendations.
- Thursday, February 3 – Teacher Quality Program and Early Childhood Programming.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=35>

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**HEALTH AND HUMAN SERVICES APPROPRIATIONS
SUBCOMMITTEE MEETINGS**

Subcommittee Meetings

The Health and Human Services Appropriations Subcommittee met the week of January 24 and conducted the following business:

DHS Programs

The Legislative Services Agency (LSA) staff reviewed programs and funding sources for the Department of Human Services (DHS), including the Medical Assistance (Medicaid) Program. Representatives from the DHS provided comments and answered questions from the Subcommittee.

Child Development

Dr. Ed Schor, Commonwealth Fund, also provided information on developmental assessments for children and the ABCD Initiative.

DPH Programs

The LSA staff reviewed the programs and funding sources for the Department of Public Health. Representatives from the Department provided comments and answered questions from the Subcommittee.

Tentative Schedule



The tentative schedule for the week of January 31 is as follows:

- Tuesday, February 1 – Presentations on Disease Management; Department of Public Health; and Dr. Alan Dobson, North Carolina Community Care Program.
- Wednesday, February 2 – Presentations on Healthy and Well Kids in Iowa (*hawk-i*), Intergovernmental (IGT) issues, Medical Assistance (Medicaid) inflation, and provider rates.
- Thursday, February 3 – Presentations regarding Child Welfare and the Child Welfare Redesign.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=37>.

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JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE MEETINGS
Subcommittee Meetings

The Justice System Appropriations Subcommittee met the week of January 24 and received the following information:

- Information from the Legislative Services Agency.
- A presentation by Randy Bauer, Department of Management, regarding the Purchasing Results Process.
- A presentation by David Boyd, State Court Administrator, regarding the Judicial Branch.

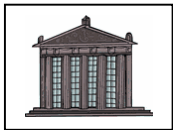
More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=38>.

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

TRANSPORTATION, INFRASTRUCTURE, AND CAPITALS APPROPRIATIONS SUBCOMMITTEE MEETING
Subcommittee Meetings

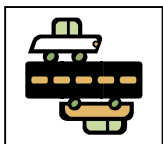
The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met the week of January 24 and conducted the following business:

Administrative Services

The Department of Administrative Services (DAS) staff presented the overall responsibilities of the DAS, including the Department's role in building and maintaining State vertical infrastructure. The Department also provided information on the recent water damage to the Capitol and updated the Subcommittee on the Wallace Building study, the Records and Property Building renovation, and the major maintenance projects in progress throughout the State.

Dept. of Transportation

The Department of Transportation (DOT) staff presented the DOT's FY 2006 budget request. The Department is requesting a total of \$294.5 million, of which \$273.5 million is requested for operations, \$11.0 million for special purpose projects, \$9.9 million for capital projects, and \$101,000 for programs.

Motor Vehicle Building Tour

The DOT staff provided the Subcommittee with a tour of the Motor Vehicle Division Building located at Park Fair Mall in Des Moines. The Department is requesting \$9.4 million for FY 2006 for a new building. The Department has leased space for the Motor Vehicle Division at the Park Fair Mall since 1989 at an annual cost of \$640,000. The lease will expire in June 2007.

Tentative Schedule

The tentative schedule for the week of January 31 is as follows:

- Tuesday, February 1 – The Fiscal Services Division of the LSA will present the Governor’s FY 2006 recommendations for the Department of Transportation and Infrastructure and Capital Projects.
- Wednesday, February 2 – The DOT will present on various programs and projects in relation to past and present budget requests.
- Thursday, February 3 – The DOT will present a second day on various programs and projects in relation to past and present budget requests.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=40>.

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GOVERNMENT OVERSIGHT COMMITTEE MEETINGS

Committee Meeting

The Government Oversight Committee met the week of January 24 and conducted the following business:

January 25



The Committee heard presentations from, and discussed the following.

- Gary Maynard, Department of Corrections (DOC), discussed the Task Force Report of Critical Incidents within the Iowa Prison System. The Department has implemented many of the recommendations from the Task Force, as well as those from the Ombudsman’s Office and Iowa Protection & Advocacy Services.
- Ruth Cooperrider, State Ombudsman's Office, stated the Office would be offering legislation this Session to deal with some of the issues outlined in the Task Force Report. Senator Lundby indicated those bills would likely be assigned to the Oversight Committee.
- Sylvia Piper, Iowa Protection and Advocacy Services, spoke regarding the collaborative effort of the agencies involved in the Governor's Task Force. She discussed some of the Agency’s recommendations with regard to this issue.
- Tom Becker, State Public Defender, read a prepared statement to the Committee. Since not all counties have a public defender, the Office is responsible for issuing contracts to attorneys for judges to select from when appointing a public defender. The only criteria is that the attorney be licensed. An extensive discussion followed in light of an appointment in Southeast Iowa. Mr. Becker reiterated that appointments are made by a judge, although the contract signed by the attorney is with the Public Defenders Office.
- Lynn Walding, Alcohol Beverage Division (ABD), provided responses to questions from previous Oversight Committee meetings through articles he had written for the *Iowa Liquor Quarterly*. He discussed the progress the ABD has made in developing a Request for Proposals (RFP) for services provided by the ABD. Jim Kuhlman, Operations Manager, reviewed the components and timelines for the RFP.



January 26

A joint committee meeting was held with the Administration and Regulation Appropriations Subcommittee. The Committees heard presentations from and discussed the following:



- Ed Stanek, Iowa Lottery Authority, provided a Power Point presentation regarding the "Iowa Lottery TouchPlay Project," and responded to questions regarding comparisons to other mechanical and amusement devices and casino type games. Mr. Stanek also provided information regarding sales and profits from these lottery games.
- Jean Davis, Department of Inspections and Appeals (DIA), provided an overview of the Interim report titled, "Registration of Electrical and Mechanical Amusement Devices," dated December 2004. Ms. Davis stated that the report was a joint response from the DIA, the Department of Public Safety, Division of Criminal Investigation, the Lottery, and private industry. She indicated there have been good efforts among all participants to deal with concerns of the Lottery Authority and the Legislature.
- Joe Diaz, Department of Public Safety, Division of Criminal Investigation, responded to questions.
- The Government Oversight Committee will invite private industry representatives for mechanical and amusement devices to present at a future meeting.

Next Meeting

The next meeting is scheduled for February 1.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=41>.

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BOARD OF EDUCATION MEETING

Board Meeting

The Board of Education met on January 19-20. The Board attended a legislative briefing and hosted the annual Legislative Reception on January 19. The Board conducted the regular business meeting on January 20, which included the following:

Community Colleges



The Board received the annual Community College Condition of Education Report. Highlights of the report include:

- Tuition and fees, as a percentage of total revenue, increased from 45.2% in FY 2003 to 46.3% in FY 2004.
- State general aid, as a percentage of total revenue, decreased from 39.7% in FY 2003 to 36.6% in FY 2004.
- Local support (property tax), as a percentage of total revenue, decreased slightly from 5.8% in FY 2003 to 5.5% in FY 2004.
- The FY 2004 credit enrollment (unduplicated headcount) increased by 4.2% compared to FY 2003.
- The FY 2004 non-credit enrollment (unduplicated headcount) decreased by 7.2% compared to FY 2003. The decrease is due, in part, to a change in the definition of a non-credit student.



The Board also received the accreditation report on Northwest Iowa Community College and approved continuing accreditation of the school through 2014. The Board expressed concern that the accreditation process

does not include criteria related to recruitment and retention of staff, a priority of the Board and a feature of its strategic plan. Department of Education staff noted that the accreditation process is under review and said the Board's concerns would be addressed.

Advanced Opportunities

The Board received an update on the status of Advanced Placement (AP) and Post-Secondary Enrollment Option (PSEO) offerings at Iowa high schools.

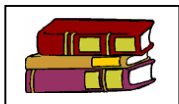
Clar Baldus, Project Administrator, Iowa Online Advanced Placement Academy (IOAPA), a project of the Belin-Blank Center at the University of Iowa, reported on the Center's efforts to expand and improve AP education in Iowa. In calendar year 2004, 208 Iowa schools participated in AP programs (both online and classroom-based), up from 187 in 2003. The number of AP exams taken by Iowa students increased from 7,721 in 2003 to 8,192 in 2004.



The IOAPA is offering 15 AP courses during the current school year (FY 2005), including three courses offered via the Iowa Communications Network (ICN). An estimated 1,339 students, from 294 Iowa high schools, are enrolled in those courses. In the previous school year (FY 2004), 1,021 students were enrolled in 15 courses, four of which were offered via the ICN.

Pam Pfitzenmaier, Department of Education, reported on FY 2004 PSEO courses. Course enrollments increased from FY 2003, while the number of students decreased, with each student taking an average of 1.8 courses. The Department is attempting to gather data on how many PSEO courses are offered at a distance. Students may enroll in PSEO courses offered by higher education institutions if the course is not offered by the school district. Director Judy Jeffrey noted that districts do not receive weighted funding for these students but must pay the colleges \$250 per student per course. Districts prefer shared courses with the community colleges which qualify for weighted funding.

Other Reports



The Board received these other reports and updates:

- An update on the work of the Legislative School Finance Formula Review Committee.
- A presentation from the Statewide Reading Team (SWRT) on the Department of Education's efforts to improve reading instruction and student achievement.
- An update on implementation of some of the recommendations of the Iowa Learns Council related to improving early childhood and high school programming. Director Jeffrey reported her plans to meet with the leaders of each school district to discuss the district's plans to increase graduation requirements. She invited members of the Board to accompany her in these visits over the next few months.

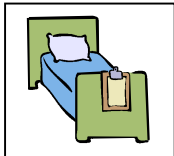
Next Meeting

The next meeting is scheduled for March 17-18 in conjunction with the Iowa Association of Community College Trustees annual meeting. Additional information is available from the LSA upon request.

STAFF CONTACT: Robin Madison (Ext. 15270)

LONG-TERM CARE TASK FORCE MEETING

Task Force Meeting



The Long Term Care Task Force held the final meeting on January 24 and conducted the following business:

- Discussed codification of the vision statement.
- Received information regarding long-term care insurance.
- Received information regarding less restrictive residential care models.
- Discussed the coordination and administration of services for older Iowans.
- Joined the National Governor's Association (NGA) workgroup meeting for discussion of the Universal Assessment.
- Discussed final recommendations.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

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