

FISCAL UPDATE

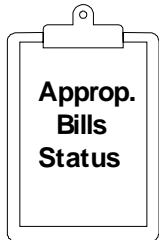
February 7, 2006

Legislative Services Agency

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STATUS OF APPROPRIATIONS BILLS



Other Appropriations Bills		
Health Care Transformation Account Bill	SF 2051	Passed Senate Appropriations Committee on January 18.
Honey Creek Destination Park Bond Program Bill	SF 2056	Passed Senate on February 1.
Senior Living Trust Fund Repayment Bill	HF 2002	Passed House on January 30.
Retirement and Senior Citizen Income Tax Exemption Bill	HF 2045	Passed House on January 31.
FY 2006 Veterans Supplemental Appropriations Bill	HF 2080	Final passage by Senate and House on January 18.
FY 2008 School Foundation Allowable Growth Rate Bill	HF 2095	Passed House on January 26.
FFY 2007 Federal Block Grant Bill	HF 2238	Passed House Appropriations Committee on February 1.

SENATE PASSES HONEY CREEK DESTINATION PARK BOND PROGRAM BILL – SF 2056

Destination Park



The Senate passed SF 2056 (Honey Creek Destination Park Bond Program Bill) on February 1. House File 875 (FY 2006 Infrastructure Appropriations Act) created the Honey Creek Premier Destination Park Authority and the Honey Creek Premier Destination Park Bond Fund. The Authority was authorized to issue up to \$28.0 million in bonds for the development and expansion of the Honey Creek Destination Park located near Lake Rathbun. The bonds will be repaid from the revenue generated by operations at the Destination Park.

Technical Change

The Bill makes a technical correction that allows the Authority to issue bonds that have net proceeds of \$28.0 million. The original legislation allowed the issuance of bonds with gross proceeds of \$28.0 million. The Department of Natural Resources estimates \$36.7 million will be issued to obtain the net proceeds of \$28.0 million.

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More Information

The NOBA (Notes on Bills and Amendments) for SF 2056 is available on the Legislative Services Agency (LSA) web site at:

<http://www3.legis.state.ia.us/noba/index.jsp>

STAFF CONTACT: Debra Kozel (Ext. 16767)

**HOUSE PASSES SENIOR LIVING TRUST FUND
REPAYMENT BILL – HF 2002**

Repayment Bill

The House passed HF 2002 (Senior Living Trust Fund Repayment Bill) on January 30. The Bill increases the standing amount required to be appropriated, reverted, or transferred to the Senior Living Trust Fund from the estimated General Fund surplus before funds are transferred to the Cash Reserve Fund from \$118.0 to \$300.0 million.

GF Surplus Transfer



Under current law, an estimated \$50.8 million will be transferred from the estimated General Fund surplus to the Senior Living Trust Fund at the beginning of FY 2007. This amount was calculated based on estimates from the December 2005 Revenue Estimating Conference (REC) and is subject to change due to legislative action.

Retroactive Date

In addition, the Bill specifies that any appropriations, reversions, or transfers of appropriations credited to the Senior Living Trust Fund be applied retroactively to July 1, 2004. At the close of FY 2005, \$6.9 million was transferred from the Medicaid surplus to the Senior Living Trust Fund. Under this Bill, this amount is applied against the \$300.0 million repayment amount.

Fiscal Impact

The Bill increases the amount of time it will take for the General Fund to receive surplus revenue after the Economic Emergency Fund reaches the statutory maximum balance of 2.5% of estimated revenues.

More Information

The Notes on Bills and Amendments (NOBA) for HF 2002 is available on the Legislative Services Agency (LSA) web site at:

<http://www3.legis.state.ia.us/noba/index.jsp>

STAFF CONTACT: Lisa Burk (Ext. 17942)

**HOUSE PASSES RETIREMENT AND SENIOR CITIZEN
INCOME TAX EXEMPTION BILL – HF 2045**

Tax Exemption Bill



The House amended and passed HF 2045 (Retirement and Senior Citizen Income Tax Exemption Bill) on January 31. The Bill does the following:

- Provides for a phase-out of income tax on Social Security, pension, and other retirement income. The phase-out begins in tax year 2007, and all income from these sources would be excluded from taxation beginning in tax year 2011.
- Establishes an income tax threshold for taxpayers age 65 and older at \$36,000 (single) and \$48,000 (married). Taxpayers with incomes below the threshold would owe no State income tax. This provision would become effective beginning in tax year 2008.

Income Tax Reduction

The income tax reduction contained in HF 2045, prior to the threshold amendment, was projected as follows:

- FY 2007 - \$ 18.1 million
- FY 2008 - \$ 60.1 million
- FY 2009 - \$ 102.5 million
- FY 2010 - \$ 141.8 million
- FY 2011 - \$ 175.7 million
- FY 2012 - \$197.8 million

Local School Surtaxes

The Bill, prior to amendment, also reduced local school option income surtaxes by \$0.5 million in FY 2007, increasing to \$5.9 million in FY 2012.

Fiscal Impact



The amendment establishing an income tax threshold also reduces income taxes and the school income tax surcharge. The combined impact of the amended Bill and the amendment will be higher than the Bill alone. An estimate for the combined fiscal impact on tax revenue is being developed.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

HOUSE APPROPRIATIONS COMMITTEE PASSES FFY 2007 FEDERAL BLOCK GRANT BILL – HF 2238

Block Grant Bill



The House Appropriations Committee passed HF 2238 (FFY 2007 Federal Block Grant Bill) on February 1. The Bill authorizes the receipt and expenditure of federal funds totaling \$4.5 billion for FFY 2007. This is an increase of \$432.7 million compared to estimated FFY 2007. This includes:

- Federal Block Grant Funds totaling \$156.9 million for the Departments of Economic Development, Human Rights, Human Services, Justice, and Public Health, and the Governor's Office of Drug Control Policy.
- Federal categorical grants totaling \$4.3 billion for various departments.

More Information

The NOBA (Notes on Bills and Amendments) for HF 2238 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/index.isp>.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Lisa Burk (Ext. 17942)

ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings

The Administration and Regulation Appropriations Subcommittee met the week of January 30.

Governor's Office

On January 31, Elizabeth Buck, Governor's Office, presented new budget requests for the Governor's Office.

FY 07 Gov's Recs.

On January 31, LSA staff presented an overview of the Detail Document for the FY 2007 Governor's recommendations.

IPERS

On February 1, CEO Donna Mueller, Iowa Public Employees Retirement System (IPERS), presented new budget requests.

Human Rights



On February 2, Director Walter Reed, Jr., Department of Human Rights, presented new budget requests. This included a presentation by Dick Moore and Dave Meyer on the Criminal Justice Information System (CJIS) Integration Initiative budget offer.

Commerce

On February 2, Tom Gronstal, Division of Banking, Department of Commerce, presented the Governor's proposal to merge the Division of Banking with the Professional Licensing Division.

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: Jess Benson (Ext. 14613) Douglas Wulf (Ext. 13250)
Sam Leto (Ext. 16764)

**AGRICULTURE AND NATURAL RESOURCES
APPROPRIATIONS SUBCOMMITTEE MEETINGS**

Subcommittee Meetings

The Agriculture and Natural Resources Appropriations Subcommittee met the week of January 30.

Open Feedlot Study

On January 31, Dr. Robert Burns, Iowa State University, discussed the progress of the Open Feedlot Study. This included an overview of the testing of alternative feedlot technologies at five cattle operations in Iowa.

Agriculture Budget



On February 1, Patty Judge, Secretary of Agriculture, discussed the budget requests and the Governor's recommendations for FY 2007. The Secretary of Agriculture is an elected official, so the Department of Agriculture and Land Stewardship was not required to participate in the Purchasing Results process.

Pollution Prevention

On February 2, Jan Loyson, Department of Natural Resources, discussed the Pollution Prevention Intern Program and the Department's offer that was developed for the FY 2007 budget.

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 30.

Workforce Development

On January 31, Director Richard Running and Deputy Director Jane Barto, Department of Workforce Development, provided an overview of improvements made to the unemployment insurance process and federal Reed Act funding, as well as the operation and funding for field offices.



The Department agreed to provide documentation to show the type of investments that can be made using the Unemployment Insurance Reserve Fund.

Chris Godfrey, Workers' Compensation Commissioner, provided information on the changes that have taken place in the Workers' Compensation Division.

Dave Neil, Labor Services Commissioner, provided information on the changes that have taken place in the Labor Services Division and how the State is addressing "shoot fighting," which is another name for ultimate or extreme fighting.

Governor's Recs.

On February 1, the Fiscal Services Division of the LSA provided a review of the Governor's recommendations for FY 2007 and discussed issues from the FY 2006 appropriations.

Board of Regents



On February 2, the following presented the FY 2007 appropriation requests and recommendations for the Board of Regents, as well as work being conducted to commercialize research:

- Iowa State University (ISU) - John Brighton, Vice Provost for Research, and Pam York.
- University of Iowa (SUI) - Meredith Hay, Vice President for Research.
- University of Northern Iowa (UNI) - Randy Pilkington, Executive Director, Business and Community Services.

Iowa Finance Authority

Dennis Dietz, Director of Policy and Governmental Affairs; Carla Pope, Services Enriched Housing Director; and Sharon Murphy, Housing Grants Specialist; provided information on the Governor's FY 2007 recommendations for the Iowa Finance Authority (IFA).

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>.

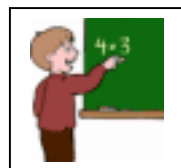
STAFF CONTACT: Ron Robinson (Ext. 16256)

EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings

The Education Appropriations Subcommittee met the week of January 30.

Department of Education



Director Judy Jeffrey, Department of Education, discussed the Student Achievement and Teacher Quality Program and reviewed the use of the funding appropriated in FY 2006 for professional development. She also reviewed the Department's budget offers for funding preschool for four-year-old children and for high school reform. In addition, she discussed the need for increased administrative funding to provide additional school regulation staff.

Community Empowerment

Shanell Wagler, Community Empowerment Facilitator, presented a progress report on the implementation of two funding allocations that were new in FY 2006. House File 816 (FY 2006 Education Appropriations Act) allocated \$1.0 million from the FY 2006 General Fund Empowerment appropriation for collaboration with community colleges and Area Education Agencies to provide child care and preschool providers with access to professional development. Another allocation from the FY 2006 appropriation directed \$4.7 million to be used to assist low-income parents with preschool tuition.



Ms. Wagler also reviewed the status of the implementation of HF 761 (Early Childhood Policy Act), including a child care incentives study and the development of an early childhood web site.

Future Meetings

No future meetings of the Education Appropriations Subcommittee have been scheduled at this time.

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>.

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

**HEALTH AND HUMAN SERVICES APPROPRIATIONS
SUBCOMMITTEE MEETINGS**

Subcommittee Meetings

The Health and Human Services Appropriations Subcommittee met the week of January 30.

January 31



On January 31, Kerri Johannsen, LSA, provided an overview of Medicaid projections, which was a continuation of the Medical Assistance Projections Advisory Council (MAPAC) meeting held on January 24. In addition, Carl Smith, Chairperson, Mental Health Commission; and Director Kevin Concannon, Department of Human Services (DHS); discussed mental health issues.

February 1

On February 1, Dr. Michael Flaum, Chairperson, Pharmacy and Therapeutics (P and T) Committee, discussed pharmaceutical drug issues.

February 2

On February 2, the following individuals provided presentations:

- Jerry Smith and Cathy Wiebel, Iowa Association of Workforce Providers.
- Chris Corken, Iowa Alliance for Drug Endangered Children; and Mary Chavez, Statewide Coordinator, Iowa Drug Endangered Children Program.
- Lynhon Stout and Angela Stark, Iowa Foster and Adoptive Parents Association.

Tentative Schedule



The tentative schedule for the week of February 6 includes:

- Tuesday, February 7 - Substance abuse and transitional housing options and child welfare providers.
- Wednesday, February 8 - Continuation of DHS budget presentation.
- Thursday, February 9 - Federal Budget Reconciliation impact on Iowa.

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>.

STAFF CONTACT: Lisa Burk (Ext. 17942) Kerri Johannsen (Ext. 14611)
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JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings

The Justice System Appropriations Subcommittee met the week of January 30.

January 31

On January 31, Committee members heard testimony from Chairwoman Elizabeth Robinson regarding workload and activities of the Parole Board.

In addition, Director Chris Hoffman, Pathways, Inc., presented information regarding transitional housing for offenders released from prison.

The Committee also received testimony from Warden Diann Wilder Tomlinson and Treatment Director Jill Dursky, Iowa Correctional Institution for Women, concerning the Therapeutic Community Substance Abuse Treatment Program.

February 1

On February 1, Director Penny Westfall presented information regarding the budget and operations of the Iowa Law Enforcement Academy. The Committee also received information on Iowa's Indigent Defense System from State Public Defender Thomas Becker; and from J.C. Salvo and Al Willett, Iowa State Bar Association.

February 2

On February 2, Attorney General Tom Miller updated the Committee on the Office's operations. Director Ralph Rosenberg also provided information for the Civil Rights Commission.

Tentative Schedule

The tentative schedule for the week of February 6 includes:

- Tuesday and Wednesday, February 7 and 8 – Department of Public Safety.
- Thursday, February 9 – 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=37>.

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

TRANSPORTATION, INFRASTRUCTURE, AND CAPITALS APPROPRIATIONS SUBCOMMITTEE

Subcommittee Meetings

The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met the week of January 30.

January 31

On January 31, representatives from the Department of Agriculture and Land Stewardship, the Department of Natural Resources, and the Iowa Finance

Authority presented FY 2007 Governor's recommendations for infrastructure and environmental programs.

February 1

On February 1, representatives from the Department of Public Defense and the Department of Cultural Affairs reviewed the FY 2007 Governor's recommendations for infrastructure. The Governor is recommending a total of \$6.2 million from infrastructure funding sources for National Guard projects. The projects will be matched with \$52.0 million in federal funds. The Department of Cultural Affairs representative presented recommendations totaling \$2.0 million, which includes \$1.0 million for the Iowa Great Places Program.

February 2



On February 2, the Subcommittee received presentations from representatives of the Iowa Veterans Home and the Department of Transportation. The Iowa Veterans Home representative reviewed the Governor's \$6.2 million infrastructure recommendations for FY 2007. The funds will be matched with \$12.2 million in federal funds.

The Department of Transportation representative presented information on the Recreational Trails Program and various aviation programs. The Governor is recommending \$1.0 million for the Recreational Trails Program and \$1.8 million for aviation infrastructure 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=40>.

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

GOVERNMENT OVERSIGHT COMMITTEE

Committee Meetings

The Government Oversight Committee met the week of January 30.

Bioterrorism in Iowa



On January 31, Mark Shearer, Veterinary Response Coordinator, Department of Agriculture and Land Stewardship, reviewed the steps that the Department has taken in the event of bioterrorism in the agricultural sector of Iowa.

Fuel Inspection

Steve Pedersen, Bureau of Weights and Measures, Department of Agriculture and Land Stewardship, reviewed the process for fuel inspections to assure quality. The Committee made recommendations for improvement and will monitor the issue in the future.

Sentencing Reform

On February 1, the Committee received presentations on sentencing reform from the Judicial Branch; the Department of Corrections; and the Criminal and Juvenile Justice Council, Department of Human Rights.

Judicial Branch



Robert Hutchison, District Court Judge from Polk County, and Michael Mullins, District Court Judge from Washington, Iowa, presented an overview of sentencing and sentencing reform and its impacts on judges' decision making. Both judges discussed problems they see with current statutes and recommended the Legislature establish a Sentencing Reform Commission to review realigning some of the statutes.

Justice System

Dick Moore and Paul Stageberg, Division of Criminal and Juvenile Justice, Department of Human Rights, presented an overview of the history of sentencing and correctional policy impacts.

Iowa Lottery

On February 2, Edward Stanek, Executive Director, Iowa Lottery, reviewed the history of the decision to deploy Touch Play machines, the number of machines, and the current and future types of locations.

The Committee questioned Director Stanek about where he received the authority to deploy the machines. Director Stanek indicated that the Assistant Attorney General assigned to the Lottery advised him that neither Chapter 99E, nor Chapter 99G, Code of Iowa, prohibited him from the deployment. Additionally, Director Stanek stated that members of the Government Oversight Committee told him it was all right to proceed in working with the Electrical and Mechanical Amusement Devices industry and the convenience store industry to expand distribution of the Touch Play machines.

Tentative Schedule

The tentative schedule for the week of February 6 includes:

- Tuesday, February 7 - Drug Courts: Sentencing reform impacts on Community-Based Corrections (CBCs) and victims.
- Wednesday, February 8 - Sentencing reform impacts on county and private jails and county attorneys.

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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E911 WIRELESS SURCHARGE QUARTERLY CALENDAR REPORT RECEIVED

Quarterly Report

The LSA received the fourth quarterly report for 2005 on E911 wireless surcharges from the Office of Homeland Security and Emergency Management Division. The Division received \$3.3 million in revenue from the surcharge, an increase of \$348,000 compared to the previous quarter. The amounts expended are as follows:

- \$50,000 for administration, which includes 2.5 FTE positions and program operating costs.
- \$635,000 for wireless service provider cost recovery, an increase of \$20,000 compared to the previous quarter.
- \$254,000 for wire-line transport costs for local carriers, a decrease of \$20,000 compared to the previous quarter.
- \$1.2 million for automated location information costs for local carriers, a decrease of \$119,000 compared to the previous quarter.
- \$262,000 for debt retirement, which completes this obligation.
- \$397,000 for the Public Safety Answering Points (PSAPS). For the first calendar quarter of 2006, the amount of the PSAPS will increase to 24.0% of the

surcharge generated. The funds will be distributed by a formula: 65.0% of the total based on the square mileage of the local 911 service area and 35.0% of the total based on the volume of the wireless E911 calls that the PSAPS receive.

- \$617,000 in carryover for future Phase 2 network and PSAPS upgrades and improvements. The total carryover amount is \$1.1 million. The Division is proposing to expand the E911 network to a digital IP-based technology environment. This will improve the redundancy and reliability of the network.

More Information

Copies of the report are available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

ISSUE REVIEW – ENROLLMENT OF HIGH SCHOOL STUDENTS AT COMMUNITY COLLEGES

Issue Review



The LSA recently published an *Issue Review* on the enrollment of high school students in community college classes. The *Issue Review* describes the results of a survey of the community colleges conducted by the LSA. The colleges reported an unduplicated headcount of 27,331 high school students in 1,856 unduplicated courses that earned a total of 142,140 credit hours in FY 2005.

Comm. College Credit

The *Issue Review* provides information on the two alternatives for high school students to attend and receive credit for community college courses: Post-Secondary Enrollment Options (PSEO) and Shared Supplementary Weighting. Information on the location of classes and the primary employment of the instructors is provided, as well as a summary of pricing practices for each college.

More Information

Copies of the *Issue Review* may be accessed on the LSA web site at: <http://www.legis.state.ia.us/lfb/ireview/ireview.htm>. Additional information is available from the LSA upon request.

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