

FISCAL UPDATE

March 29, 2006

Legislative Services Agency

(515)-281-5279 FAX 281-8027

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

REVENUE ESTIMATING CONFERENCE - MARCH 2006

REC Meeting

The Revenue Estimating Conference (REC) met on March 24, and increased estimated FY 2006 net General Fund receipts by \$143.9 million and estimated FY 2007 net General Fund receipts by \$46.2 million.



The FY 2006 increase includes Lottery transfers of \$30.4 million in Touch Play profits and a \$54.6 million deposit of Intergovernmental Transfer (IGT) funds. Excluding those transfers, the FY 2006 increase is \$58.9 million.

Senate File 2330 (Monitor Vending Machine Prohibition Act) prohibited Touch Play machines, effective 45 days after enactment. The Act was signed by the Governor on March 20.

The IGT funds were received in conjunction with HF 2347 (Health Care Transformation Account Act). That Act appropriates the money to the Department of Human Services Medical Assistance Account and the Health Care Transformation Account.

FY 2006 Revenue Estimating Conference Projection

Dollars in Millions

	Actual FY 2005	December FY 2006 Estimate	March FY 2006 Estimate	Increase (Decrease) to Estimate
Income Tax	\$2,782.3	\$2,811.9	\$2,812.0	\$0.1
Sales/Use Tax	1,812.3	1,872.7	1,884.9	12.2
Corporate Tax	280.9	311.4	312.1	0.7
Insurance Tax	130.9	128.3	128.3	0.0
Other Taxes	224.5	219.6	216.7	-2.9
Total Taxes	5,230.9	5,343.9	5,354.0	10.1
Other Receipts	338.0	306.4	330.4	24.0
Total Taxes & Other Receipts	5,568.9	5,650.3	5,684.4	34.1
Transfers	88.4	62.1	146.1	84.0
Accruals (Net)	-31.4	13.0	13.0	0.0
Refunds	-696.9	-649.6	-623.8	25.8
Net General Fund Receipts	<u>\$4,929.0</u>	<u>\$5,075.8</u>	<u>\$5,219.7</u>	<u>\$143.9</u>



IN THIS ISSUE:

Revenue Estimating Conference, pg. 1
Medicaid Forecast/Fy 2006 & FY 2007, pg. 3
Status of Appropriations Bills, pg. 5
HF 2521 – Admin./Reg. Approps., pg. 6
HF 2540 – Agriculture/Nat. Res. Approps., pg. 6
HF 2459 – Economic Dev. Approps., pg. 7
SF 2232 – Transportation Approps., pg. 7
SF 2312 – Injured Veterans Grant Prgm., pg. 8
HF 2514 – Real Estate Education, pg. 8
HF 2759 – Renewable Fuel Infrastructure, pg. 9

HF 2760 – Minimum Teachers Salaries/Shortage, pg. 9
HF 2761 – Advanced Placement Exam Fee, pg. 10
HF 2769 – Community Empowerment, pg. 11
HF 2772 – Brain Injury Services Program, pg. 11
SF 2094 – Sexual Offenses Against Children, pg. 12
SF 2231 – Sick Leave Incentive Plan, pg. 13
SF 2330 – Lottery TouchPlay Machine, pg. 13
SF 2346 – Graduated Driver's License, pg. 14
Appeal Board Payments-Indigent Defense, pg. 15
FY 2005 ICN Savings Report, pg. 15

New Revenue Estimate



The REC estimate for FY 2006 net General Fund receipts is now \$5.220 billion, an increase of \$290.7 million compared to actual FY 2005. The March estimate for FY 2006 includes a \$0.2 million revenue reduction associated with law changes enacted since the December REC meeting.

Fiscal Year 2006 estimates for sales/use tax and transfers from the Unclaimed Property Fund were increased. A reduction in estimated tax refunds contributed to the net revenue projection increase.

The REC estimate for FY 2007 net General Fund receipts is now \$5.361 billion, an increase of \$141.2 million compared to the new FY 2006 estimate. There were no adjustments for revenue changes enacted since the December 2005 REC.



FY 2007 Revenue Estimating Conference Projection				
Dollars in Millions				
	Estimate FY 2006	December FY 2007 Estimate	March FY 2007 Estimate	Increase (Decrease) to Estimate
Income Tax	\$2,812.0	\$2,913.9	\$2,917.8	\$3.9
Sales/Use Tax	1,884.9	1,935.0	1,946.3	11.3
Corporate Tax	312.1	319.2	320.0	0.8
Insurance Tax	128.3	126.4	126.4	0.0
Other Taxes	216.7	221.0	216.8	-4.2
Total Taxes	5,354.0	5,515.5	5,527.3	11.8
Other Receipts	330.4	307.1	314.6	7.5
Total Taxes & Other Receipts	5,684.4	5,822.6	5,841.9	19.3
Transfers	146.1	63.8	62.4	-1.4
Accruals (Net)	13.0	9.5	9.5	0.0
Refunds	-623.8	-581.2	-552.9	28.3
Net General Fund Receipts	\$5,219.7	\$5,314.7	\$5,360.9	\$46.2

Fiscal Year 2007 estimates for sales/use tax and transfers from the Unclaimed Property Fund were increased. A reduction in estimated tax refunds contributed to the net revenue projection increase.

Summary

The following table provides a summary of the past two fiscal years and the two present REC estimates.



Revenue Estimating Conference Projection

	Dollars in Millions			
	Actual FY 2004	Actual FY 2005	Estimated FY 2006	Estimated FY 2007
Income Tax	\$2,592.3	\$2,782.3	\$2,812.0	\$2,917.8
Sales/Use Tax	1,732.4	1,812.3	1,884.9	1,946.3
Corporate Tax	234.8	280.9	312.1	320.0
Insurance Tax	138.2	130.9	128.3	126.4
Other Taxes	228.3	224.5	216.7	216.8
Total Taxes	\$4,926.0	\$5,230.9	\$5,354.0	\$5,527.3
Other Receipts	332.0	338.0	330.4	314.6
Total Taxes & Other Receipts	5,258.0	5,568.9	5,684.4	5,841.9
Transfers	57.5	88.4	146.1	62.4
Accruals (Net)	83.0	-31.4	13.0	9.5
Refunds	-715.0	-696.9	-623.8	-552.9
Net General Fund Receipts	\$4,683.5	\$4,929.0	\$5,219.7	\$5,360.9
Year-over-year Incr./Decr.	\$199.7	\$245.5	\$290.7	\$141.2

More Information

A more detailed spreadsheet is available on the Legislative Services Agency (LSA) web site at: <http://staffweb.legis.state.ia.us/lfb/qre/qre.htm>.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

MEDICAID FORECAST FOR FY 2006 AND FY 2007

Medicaid Estimates

Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on March 24 to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2006 and FY 2007. The three staffs meet monthly to discuss estimated expenditures and to agree on a range for expenditures for the current fiscal year.

FY 2006

House File 825 (FY 2006 Health and Human Services Appropriations Act), as amended by HF 882 (FY 2006 Standing Appropriations Act) and HF 841 (IowaCare Medicaid Reform Act), included total State funding of \$704.4 million for Medicaid for FY 2006. It was discussed during the 2005 Legislative Session that this level of funding was not likely sufficient to fully fund Medicaid and a shortfall was anticipated. The three staffs agreed to an estimated shortfall range of \$15.0 to \$27.0 million for FY 2006 with a midpoint of \$21.0 million.

Because the forecasting methods used to determine the supplemental need are complex and take into account changes in cost and enrollment, the assumptions stated will not add up to the supplemental need. They simply represent those things which were not funded in the FY 2006 budget. A leveling trend in enrollment as well as costs in some areas coming in lower than expected have off-set some of the expected supplemental expenses. The shortfall estimate includes the following:

- An estimated net cost of \$12.9 million due to provisions included in HF 841 (IowaCare Medicaid Reform Act).





- \$8.0 million to pay for an anticipated federal Medicare Part D Drug Benefit woodwork effect. This expense will occur in only the second half of FY 2006 because the Part D Benefit began in January 2006.
- \$4.0 million to fund Medicare buy-in for eight months of FY 2006. Premium rates for Medicare Parts A and B have both increased for FY 2006.
- Items where savings were assumed but the corresponding statutory changes were eliminated totaled \$3.1 million, including \$1.0 million for Pay and Chase, \$101,000 for a technical adjustment, and \$2.0 million for a reduction in HF 882.
- \$2.5 million to complete the funding for the nursing facility rebasing.
- \$3.2 million to replace federal Veterans Affairs funding with State Medicaid funds at the Iowa Veterans' Home.
- \$6.4 million for the FY 2005 supplemental not being fully incorporated into the FY 2006 budget.
- Funds to pay for a small amount of FY 2005 claims not processed before August 26, 2005, that will be paid from the FY 2006 appropriation.
- Funds to pay for a settlement with the federal Centers for Medicare and Medicaid Services (CMS) related to financial audits of the Adult Rehabilitation Option (ARO) service providers. The CMS report included findings against the State and providers of approximately \$6.2 million, which is required to be repaid to the federal government.

FY 2007

For FY 2007, the three staffs agreed to an estimated increase of \$58.0 to \$96.0 million, with a midpoint of \$77.0 million, compared to the \$704.4 million FY 2006 appropriation. The increase for FY 2007 includes the following assumptions:



- An estimated \$21.0 million in additional cost and enrollment increases.
- An estimated \$7.0 million to fund an estimated 1.0% medical inflation rate.
- \$15.0 to \$27.0 million to incorporate the estimated FY 2006 supplemental appropriation.
- \$1.0 million to annualize the increased cost of Medicare buy-in due to increased Medicare premiums.
- \$2.0 million to annualize the cost of the Medicare Part D woodwork effect.
- In FY 2007, the Federal Medical Assistance Percentage (FMAP) will decrease from 63.61% to 61.98%, resulting in an estimated \$25.0 million in additional cost to the State.

Other Issues

Congress passed, and the President signed, the Deficit Reduction Act of 2005 in early February. It is estimated that the federal changes will not dramatically impact Iowa Medicaid. However, administrative rules must be adopted at the federal level before exact impacts can be estimated.

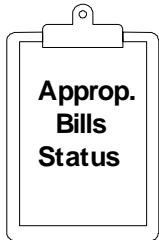
More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Kerri Johannsen (Ext. 14611)

STATUS OF APPROPRIATIONS BILLS

As of March 23, 2006



Appropriations Subcommittee Bills		
Appropriations Subcommittee	LSB/File#	Status
Administration and Regulation	HF 2521	Passed Senate Appropriations Committee on March 23.
Agriculture and Natural Resources	HF 2540	Passed Senate Appropriations Committee on March 23.
Economic Development	HF 2459	Passed Senate Appropriations Committee on March 23.
Education	HF 2527	Passed House on March 15.
Health and Human Services	HF 2734	Passed House on March 15.
Judicial Branch	HF 2557	Passed House on March 6.
Justice System	HF 2558	Passed House on March 7.
Transportation	SF 2232	Signed by Governor on March 21.
Other Appropriations Bills		
Honey Creek Destination Park Bond Program Act	SF 2056	Signed by Governor on March 9.
FY 2006 Supplemental Appropriations Bill	SF 2273	Final action on March 13.
Injured Veterans Grant Program Bill	SF 2312	Passed Senate on March 21.
Sale of Rhodes Research Farm Bill	SF 2315	Passed Senate Appropriations Committee on March 15.
State Housing Trust Fund Appropriations Bill	SF 2387	Passed Senate on March 14.
Senior Living Trust Fund Repayment Bill	HF 2002	Passed House on January 30.
FY 2006 Veterans Supplemental Appropriations Act	HF 2080	Signed by Governor on January 23.
FY 2008 School Foundation Allowable Growth Rate Bill	HF 2095	Passed Senate Education Committee on February 8.
FFY 2007 Federal Block Grant Act	HF 2238	Signed by Governor on March 9.
Health Care Transformation Account Act	HF 2347	Signed by Governor on March 9.
Real Estate Education Bill	HF 2514	Passed House Appropriations Committee on March 22.
Iowa Communications Network Bill	HF 2686	Passed House Appropriations Committee on March 15.
Judicial Branch Fees and Costs Bill	HF 2689	Passed House Appropriations Committee on March 6.
Healthy Iowans Tobacco Trust Appropriations Bill	HF 2743	Passed House on March 15.

Other Appropriations Bills, cont.			
Renewable Fuel Infrastructure Bill		HF 2759	Passed House Appropriations Committee on March 21.
Minimum Teacher Salaries and Shortage Supplement Bill		HF 2760	Passed House Appropriations Committee on March 20.
Advanced Placement Examination Fee Bill		HF 2761	Passed House Appropriations Committee on March 20.
Community Empowerment Initiative Bill		HF 2769	Passed House Appropriations Committee on March 22.
Brain Injury Services Program Bill		HF 2772	Passed House Appropriations Committee on March 22.

SENATE APPROPRIATIONS COMMITTEE PASSES ADMINISTRATION AND REGULATION APPROPRIATIONS BILL – HF 2521

Admin. & Reg. Bill



The Senate Appropriations Committee passed HF 2521 (FY 2007 Administration and Regulation Appropriations Bill) on March 23. The Bill appropriates \$82.2 million from the General Fund and 1,887.6 FTE positions. This is a decrease of \$3.3 million and 5.9 FTE positions compared to estimated FY 2006. The Bill also appropriates \$19.6 million from Other Funds, an increase of \$5.9 million compared to estimated FY 2006.

Bill Passage

The Committee passed the Bill without recommendation and without amendment.

More Information

The NOBA (Notes on Bills and Amendments) for HF 2521 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba>.

STAFF CONTACT: Jess Benson (Ext. 14613) Sam Leto (Ext. 16764)
 Doug Wulf (Ext. 13250)

SENATE APPROPRIATIONS COMMITTEE PASSES FY 2007 AGRICULTURE AND NATURAL RESOURCES APPROPRIATIONS BILL – HF 2540

Ag./Natural Resources Bill



The Senate Appropriations Committee passed HF 2540 (FY 2007 Agriculture and Natural Resources Appropriations Bill) on March 23. The Bill appropriates a total of \$36.9 million from the General Fund and 1,524.0 FTE positions, an increase of \$100,000 and 17.0 FTE positions compared to estimated FY 2006.

Bill Passage

The Committee passed the Bill without recommendation and without amendment.

More Information

The NOBA (Notes on Bills and Amendments) for HF 2540 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

SENATE APPROPRIATIONS COMMITTEE PASSES FY 2007 ECONOMIC DEVELOPMENT APPROPRIATIONS BILL – HF 2459

Economic Dev. Bill



The Senate Appropriations Committee passed HF 2459 (FY 2007 Economic Development Appropriations Bill) on March 23. The Bill appropriates a total of \$30.9 million from the General Fund and 406.1 FTE positions to the Department of Economic Development (DED), Iowa Workforce Development, the Public Employment Relations Board (PERB), and the Regents institutions' economic development programs. This is an increase of \$465,000 in General Funds and 3.0 FTE positions compared to estimated FY 2006. The Bill also maintains the \$5.0 million support level from Other Funds.

Bill Passage

The Committee passed the Bill without recommendation and without amendment.

More Information

The NOBA (Notes on Bills and Amendments) for HF 2459 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/>.

STAFF CONTACT: Ron Robinson (Ext. 16256)

GOVERNOR SIGNS FY 2007 TRANSPORTATION APPROPRIATIONS ACT – SF 2232

Transportation Approps. Act



The Governor signed SF 2232 (FY 2007 Transportation Appropriations Act) on March 21. The Act appropriates a total of \$305.3 million from the Primary Road and Road Use Tax Funds, an increase of \$3.0 million compared to estimated FY 2006. Significant changes include:

- An increase of \$4.1 million for costs associated with increases in fuel, rock salt, and equipment depreciation.
- An appropriation of \$1.0 million to develop a unified, customer-based International Registration Plan (IRP) and International Fuel Tax (IFT) Administration System.
- An appropriation of \$2.3 million for costs associated with replacing equipment.
- An increase of \$796,000 for county treasurer support for issuing vehicle titles, registrations, and drivers' licenses.
- An appropriation of \$2.5 million for construction of a new maintenance garage in Fairfield.

FY 2006 Appropriation

The increases in the Act were offset by a one-time appropriation of \$9.4 million in FY 2006 for the construction of a new Motor Vehicle Division Building.

More Information

The NOBA (Notes on Bills and Amendments) for SF 2232 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/>.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

**SENATE PASSES INJURED VETERANS GRANT PROGRAM
BILL – SF 2312**

Injured Vets Grant Bill



The Senate passed SF 2312 (Injured Veterans Grant Program Bill) on March 21. An appropriation of \$1.0 million for FY 2006 was enacted in HF 2080 (FY 2006 Veterans Supplemental Appropriations Bill).

Senate File 2312 requires military service of at least 90 days after September 11, 2001, to be eligible for one-time grants of up to \$10,000 for a combat-related injury. The Department of Veterans Affairs is required to adopt administrative rules to implement the Program.

Fiscal Impact

The Bill exempts the grants from Iowa Income Tax; however, the Bill has minimal impact on tax revenue and the Department of Veterans Affairs.

Effective Date

The Bill takes effect upon enactment, and the tax exemption is retroactive to January 2006.

More Information

The NOBA (Notes on Bills and Amendments) for SF 2312 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/>.

STAFF CONTACT: Jennifer Acton (Ext. 17846) Sue Lerdal (Ext. 17794)

**HOUSE APPROPRIATIONS COMMITTEE PASSES REAL
ESTATE EDUCATION BILL – HF 2514**

Real Estate Education

The House Appropriations Committee passed HF 2514 on March 22. The Bill maintains the Real Estate Education Program at the University of Northern Iowa through June 30, 2007, funded with approximately \$120,000 from the Real Estate Education Fund established in Section 543B.54, Code of Iowa.

Committee Established



The Bill requires the Real Estate Commission to establish an Ad Hoc Committee to develop suggested curriculum for regional real estate programs to be offered through Iowa community colleges and other Iowa colleges and universities. The Committee is required to submit the suggested curriculum to the Commission by December 1, 2006, and the Commission is to submit a report to the General Assembly by December 15.

Appropriations

The Bill appropriates \$5,000 from the General Fund for Committee expenditures relating to the development of curriculum for a regional real estate education program. The Committee members may be reimbursed for actual and necessary expenses incurred, but will not receive a per diem payment. The regional real estate education programs that utilize the curriculum developed by the Commission may be funded from the Real Estate Education Fund beginning July 1, 2007.

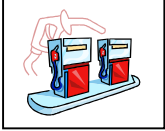
More Information

The NOBA (Notes on Bills and Amendments) for HF 2514 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/>.

STAFF CONTACT: Sam Leto (Ext. 16764)

HOUSE APPROPRIATIONS COMMITTEE PASSES RENEWABLE FUEL INFRASTRUCTURE BILL – HF 2759

Renewable Fuel Bill



HF 2754

The House Appropriations Committee passed HF 2759 (Renewable Fuel Infrastructure Bill) on March 21. The Bill makes appropriations to the Renewable Fuel Infrastructure Fund and the Department of Natural Resources. The Bill is contingent upon enactment of HF 2754 (Renewable Fuel Incentive Bill).

House File 2754 creates a Renewable Fuel Infrastructure Fund under the Department of Natural Resources (DNR). Monies in the Fund are to be appropriated to the Department for support of two Renewable Fuel Infrastructure Programs established in HF 2754.

Proposed Legislation



House File 2759 provides an annual appropriation of \$35.0 million from the Grow Iowa Values Fund from FY 2007 through FY 2015. In FY 2007 through FY 2009, \$33.0 million is provided to the Department of Economic Development (DED) for business start-up, expansion, and retention activities, and \$2.0 million is provided to the DNR for deposit into the Renewable Fuel Infrastructure Fund created in HF 2754. Beginning in FY 2010 through FY 2015, the DED receives the full \$35.0 million.

Committee Action

The House Appropriations Committee added language to annually allocate up to \$50,000 of the \$2.0 million appropriation to the DNR from FY 2007 through FY 2009 for costs associated with administering the Renewable Fuel Infrastructure Programs established in HF 2754.

More Information

The NOBA (Notes on Bills and Amendments) for HF 2759 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/>.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

HOUSE APPROPRIATIONS COMMITTEE PASSES MINIMUM TEACHER SALARIES AND SHORTAGE SUPPLEMENT BILL – HF 2760

Teacher Salaries

The House Appropriations Committee passed HF 2760 (Minimum Teacher Salaries and Shortage Supplement Bill) on March 20. The Bill appropriates \$6.4 million from the General Fund to the Department of Education for the Student Achievement and Teacher Quality Program. The funding supplements the annual appropriation included in HF 2527 (FY 2007 Education Appropriations Bill).

Minimum Salaries



The Bill increases the minimum teacher salaries by \$1,000 as follows:

- Beginning teachers - \$25,500
- First-year career teachers - \$26,500
- Other career teachers - \$27,500

It is anticipated that the statewide increase in salaries as a result of increasing the minimum salaries, including the related employer's share of contributions to Social Security and qualified retirement systems, will be \$2.5 million in FY 2007.

Shortage Supplement



The Bill allocates up to \$3.2 million from the Student Achievement and Teacher Quality Program appropriation to provide a \$1,000 salary supplement for teachers in the following shortage areas: Mathematics, Biological Science, Chemistry, Earth Science, General Science, Physical Science, and Physics.

The Bill requires school districts to pay the salary to each full-time teacher with an endorsement in one of the specified shortage areas that is teaching two or more classes in the shortage area in grades 9-12. The supplement is not subject to collective bargaining.

Funding Allocation

The Bill specifies that school districts will receive annual funding for the salary supplement, including the employer's share of contributions to Social Security and qualified retirement systems, on or about October 15. If the amount allocated is insufficient to fund all school district claims, the payments will be prorated. Districts are required to certify to the Department of Education that the funds were not used to supplant the salary the district would otherwise pay the teacher.

More Information

The NOBA (Notes on Bills and Amendments) for HF 2760 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/>.

STAFF CONTACT: Robin Madison (Ext. 15270)

**HOUSE APPROPRIATIONS COMMITTEE PASSES
ADVANCED PLACEMENT EXAM FEE BILL – HF 2761**

AP Exam Fee Bill



The House Appropriations Committee passed HF 2761 (Advanced Placement Exam Fee Bill) on March 20. The Bill requires public school districts to reimburse public and nonpublic school students, or their parent/guardian, for half of the fee for an Advanced Placement (AP) examination if the student achieves a score of three or higher on the AP five-point scale.

Reimbursement of Fees

The Bill requires public school districts to submit claims for reimbursement to the Department of Education by September 1 of the following school year. The Department is required to reimburse districts by October 1 from funds appropriated and to prorate reimbursements if the appropriation is insufficient to pay all claims in full. The Bill does not provide an appropriation for this purpose.

Fiscal Impact

The number of AP exams taken annually has grown rapidly and is expected to continue to increase. In FY 2005, 9,000 AP exams were taken by public and nonpublic school students in Iowa. An insignificant portion (2.3%) of the exam fees were paid through funding set aside for low-income students. Two-thirds of the exams resulted in a score of three or higher. The current fee for an AP exam is \$82.



Assuming the number of AP exams taken grows at the rate of 10.0% per year and two-thirds result in a qualifying score, the fiscal impact of HF 2761 to local school districts will be \$298,000 in FY 2007 and \$327,000 in FY 2008. These amounts will be offset by any General Fund appropriation provided for reimbursements.

More Information

The NOBA (Notes on Bills and Amendments) for HF 2761 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/>.

STAFF CONTACT: Robin Madison (Ext. 15270)

HOUSE APPROPRIATIONS COMMITTEE PASSES COMMUNITY EMPOWERMENT BILL – HF 2769

Comm. Empowerment Bill

The House Appropriations Committee passed HF 2769 (Community Empowerment Bill) on March 22. The Bill updates language to reflect current practice and terminology and increases the membership of the Iowa Empowerment Board to 22 voting members, with 16 citizen members and six State agency members. Iowa Workforce Development is added as a State agency member.

Family Support Services

The Bill specifies that family support services may include, but are not limited to, home visitation, and requires that approximately 60.0% of family support and parent education funding be targeted to families with newborn and infant children.

Administrative Costs

The Bill eliminates the limit of \$60,000 on School Ready Children Grant funds that may be used by a local board for administrative costs and other expenses, leaving the limit at 3.0%. It is estimated that only one local board, Polk County, will be affected by this change and will be able to spend an additional \$24,000 of its School Ready Children Grant allocation for administrative costs and other expenses.

Gifts and Grants Account

The Bill creates a Gifts and Grants Account in the Iowa Empowerment Fund and appropriates moneys credited to the Account to the Department of Management for purposes of Community Empowerment.

More Information

The NOBA (Notes on Bills and Amendments) for HF 2769 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/>.

STAFF CONTACT: Robin Madison (Ext. 15270)

HOUSE APPROPRIATIONS COMMITTEE PASSES BRAIN INJURY SERVICES PROGRAM BILL – HF 2772

Brain Injury Services Bill

The House Appropriations Committee passed HF 2772 (Brain Injury Services Program Bill) on March 22. The Bill allocates a previously enacted appropriation for the services. The file number for the latest version of the bill is not yet known.

Definitions

The Bill provides for implementation of the Program within the Department of Public Health, as well as eligibility requirements, and requires the use of the Healthy and Well Kids in Iowa (*hawk-i*) Program financial eligibility guidelines. An eligible person is required to pay a cost-share for the Program.

Resource Facilitation

The Bill also requires the use of resource facilitators for the Program services to link individuals to existing services and maximize private and public funding.

Appropriations



In addition, the Bill amends the FY 2007 appropriation included in the FY 2007 Mental Health Allowed Growth funding that was contingent upon enactment of legislation establishing a Program. House File 882 (FY 2006 Standing Appropriations Act) provided \$2.4 million for the Program. The Bill reallocates the funding to the Department of Public Health for State cost-share of services, resource facilitator services, reimbursement for needs assessments, and for matching federal funds and administrative costs.

Emergency Rules

The Department of Public Health is permitted to adopt emergency administrative rules to implement the Program.

More Information

The NOBA (Notes on Bills and Amendments) for HF 2772 is available on the LSA web site at: <http://www3.legis.state.ia.us/noba/>.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

SENATE PASSES SEXUAL OFFENSES AGAINST CHILDREN BILL – SF 2094

Sexual Offenses Bill



The Senate passed SF 2094 (Sexual Offenses Against Children Bill) on March 21. The Bill enhances the criminal penalty for sexual abuse in the second degree, lascivious acts with a child, and sexual exploitation of a minor by creating and imposing a new Class B1 felony for these offenses. The offender must be at least 18-years-old and the victim must be 12-years-old or younger. The sentence for conviction of a B1 felony is 25 years to life in prison. Offenders convicted of the new B1 felony are not eligible for parole, work release, or earned time reduction of sentence. The Bill also imposes a Class D felony penalty for knowingly aiding a sex offender in not registering with the Sex Offender Registry.

Correctional Impact

While there will be an estimated 107 offenders annually convicted of the new B1 felony, there will only be 34 new admissions to prison annually under SF 2094. There will be a corresponding decrease in admissions to Community-Based Corrections (CBC) probation supervision of 34 offenders annually.

Prison Impact



Most of the 107 offenders are sentenced to prison under current law. The length of stay in prison will be longer under SF 2094 than current law. By 2015, there will be an additional 615 offenders in prison. The impact on the prison population is more significant with the passage of time.

Fiscal Impact

The overall fiscal impact is estimated to be \$1.0 million in FY 2007 and \$2.1 million in FY 2008. The additional costs for the DOC include operating costs for housing more offenders and treatment costs associated with housing more sex offenders. Costs will continue to increase in future fiscal years due to anticipated cost increases for the prison system.

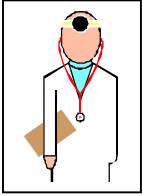
More Information

The fiscal note for SF 2094 is available on the LSA web site at: <http://www3.legis.state.ia.us/fiscalnotes/>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

SENATE PASSES SICK LEAVE INCENTIVE PLAN BILL – SF 2231

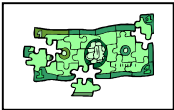
Sick Leave Incentive Bill



The Senate passed SF 2231 (Sick Leave Incentive Plan Bill) on March 20. The Bill extends the Sick Leave Incentive Program provided to the American Federation of State County and Municipal Employees (AFSCME) members under their collective bargaining agreement, to certain non-Regent employees in the Executive Branch not covered by a collective bargaining agreement (employee). Peace Officers employed by the Department of Public Safety and the Department of Natural Resources, not covered by a collective bargaining agreement, will have the same program extended to them as provided for under the contract with the State Peace Officers' Council.

Fiscal Impact

Senate File 2231 is estimated to increase State expenses for the payment of retirees' health insurance by \$474,000 in General Funds and \$891,000 from all funds in FY 2007 and by \$860,000 in General Funds and \$1.6 million from all funds in FY 2008 compared to estimated FY 2006 expenses. The costs will increase each year due to salary increases, the increased cost of health insurance, and as the total number of retirees impacted increases over the next five years.



Senate File 2231 will not have a fiscal impact on the Department of Public Safety or the Department of Natural Resources for non-contract covered peace officers until an officer's sick leave value accumulated while in a contract-covered position has been exhausted.

More Information

The fiscal note for SF 2231 is available on the LSA web site at:
http://www3.legis.state.ia.us/fiscalnotes/data/81_5360SVv1_FN.pdf.

STAFF CONTACT: Ron Robinson (Ext. 16256)

GOVERNOR SIGNS LOTTERY TOUCHPLAY MACHINE ACT – SF 2330

TouchPlay Bill

The Governor signed SF 2330 (Lottery TouchPlay Machine Act) on March 20. The Act prohibits the Lottery from authorizing the use of monitor vending machines. The Act also provides that any retailer that has acquired a monitor vending machine prior to the effective date of the Act may only continue to offer the use of the machine for 45 days after enactment. With its enactment, SF 2330 prohibits TouchPlay machines from being available to the public after May 4, 2006.

Excise Tax

In addition, the Act provides that if any machines are still in operation 46 days after the effective date, the Department of Revenue is to administer and collect a monitor vending machine excise tax of 65.0% on the net monitor vending machine revenue receipts.

Fiscal Impact



The estimated generated revenue from the machines in FY 2006 will be \$30.0 to \$40.0 million, while forgone revenue to the General Fund from the prohibition of the machines is estimated to be up to \$10.0 million in FY 2006; \$60.0 million in FY 2007; and \$77.8 million in FY 2009.

Effective Date

The Act took effect on March 20, 2006.

More Information

The fiscal note for SF 2330 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes>.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

SENATE PASSES GRADUATED DRIVER'S LICENSE BILL – SF 2346

Graduated License Bill

The Senate passed SF 2346 (Graduated Driver's License Bill) on March 21. The Bill makes numerous changes relating to driver education, graduated driver licensing, and passenger restraint. The Senate added the following to the Bill:

- Language to expand criminal penalties and civil liability to include the following circumstances in regard to providing alcohol to persons under the age of 21:
 - The Bill prohibits a person who is the owner, lessee, or in control of property that is not a licensed premises, from allowing a person who is known or believed to be under legal age, to consume or possess alcohol on the premises. A person who violates this provision is guilty of a serious misdemeanor punishable by a minimum fine of \$500.
 - The Bill provides that a person who intentionally makes alcohol available, without physically presenting the alcohol, to someone who is known or believed to be under legal age, with direct knowledge that the underage person intends to consume the alcohol, and whose actions or intoxication contributes to an accident involving injury, is liable for damages.
- Language to change the effective date to July 1, 2007, for sections of the Bill relating to driver's education classroom instruction and the "Alive at 25" course.

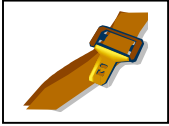


Fiscal Impact

The fiscal impact of SF 2346 cannot be determined due to insufficient information; however, the following information was provided:

- **High Schools – Increased Classroom Instruction:** The fiscal impact for high schools associated with requiring eight additional hours for instruction on substance abuse is unknown. Currently, 30 hours of classroom instruction are required. It is unknown if classroom hours will be added to the current 30 hours, or whether the current hours will be adjusted. High schools that provide driver's education may realize a fiscal impact if the hours of instruction are increased.
- **"Alive at 25" Course:** The Bill does not specify the agency or organization that would provide the "Alive at 25" course. The number of drivers that will be required to complete the "Alive at 25" course is unknown. In FY 2005, an estimated 22,000 persons committed violations under Chapters 321 and 321J, Code of Iowa. All such individuals would be required to complete the course under the proposed legislation. The Bill does not specify the cost to participants to complete the "Alive at 25" course. In other states, the cost ranges from \$30 to \$70, depending on voluntary or mandatory (court-ordered) participation. In most states, the cost is higher for participants who are mandated to complete the course.
- **Department of Transportation (DOT):** The DOT estimates the cost of approving the "Alive at 25" or equivalent course to be minimal.
- **Graduated Driver's License Study:** Costs to the DOT and the Department of Public Safety associated with establishing a study committee to review Iowa law concerning driver licensing provisions affecting young drivers are anticipated to be minimal.



Correctional Impact

The correctional impact of SF 2346 is as follows:

- **Seat Belt Use:** The provisions of the Bill that amend seat belt use will likely increase the number of violations; however, the number is unknown. An increase in violations would likely result in an increase in the amount collected.
- **Providing Alcohol to Underage Persons:** The correctional impact of the provisions that expand criminal penalties to persons who allow an underage person to consume or possess alcohol on property that is not a licensed premise is unknown, but is anticipated to be minimal.

More Information

The fiscal note for SF 2346 is available on the LSA web site at:
<http://www3.legis.state.ia.us/fiscalnotes>.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

STATE APPEAL BOARD PAYMENTS – INDIGENT DEFENSE**Appeals Board**

The LSA was recently notified that approximately \$36,000 in indigent defense claims were paid by the State Appeals Board for March 2006. Indigent Defense provides legal counsel to indigent defendants in criminal court proceedings. Payments were made to private attorneys, court reporters, investigators, interpreters, expert witnesses, psychiatrists, and psychologists.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

FY 2005 ICN SAVINGS REPORT**Required Report**

Section 8D.10, Code of Iowa, requires each State agency that is part of the Iowa Communications Network (ICN) to provide a written report about the agency's use of videoconferencing on the Network.

Summary

Thirty-one State agencies reported savings totaling \$10.0 million. There were approximately 3,500 video conference sessions with 125,000 participants.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

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