

FISCAL UPDATE

February 28, 2007

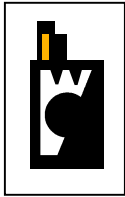
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HOUSE WAYS AND MEANS COMMITTEE PASSES CIGARETTE/TOBACCO TAX INCREASE BILL – HF 346

Cigarette/Tobacco Tax



The House Ways and Means Committee passed HF 346 (Cigarette/Tobacco Tax Increase Bill) on February 21. As amended, the Bill provides for the following:

- Increases the cigarette tax rate from \$0.36 to \$1.36 per pack.
- Increases the tobacco tax rate from 22.0% to 83.0%.
- Requires that, of the \$1.36 per pack cigarette tax rate, \$0.36 be deposited into the General Fund and \$1.00 be deposited into the Healthy Iowans Tobacco Trust (HITT) Fund.
- Requires that, of the 83.0% tobacco tax rate, the 22.0% tobacco tax rate be deposited into the General Fund and that the 61.0% tobacco tax rate be deposited into the HITT.
- Requires that the tax rate changes and Fund allocations are effective upon enactment.

Fiscal Impact



Assuming an enactment date of April 1, 2007, the Bill will have the following estimated impact on the General Fund in FY 2007 through FY 2009 as shown in the tables below.

Estimated General Fund Impact				
	Estimated Change in General Fund FY07	Estimated Change in General Fund FY08	Estimated Change in General Fund FY09	
Cigarette Tax Impact	\$ - 6,719,839	\$ - 32,207,450	\$ - 30,335,941	
Tobacco Tax Impact	\$ - 978,933	\$ - 4,519,475	\$ - 4,529,571	
Sales Tax Impact	\$ 754,769	\$ - 616,543	\$ - 685,833	
Total G.F. Impact	\$ - 6,944,004	\$ - 37,343,468	\$ - 35,551,345	

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Estimated Healthy Iowans Tobacco Trust Fund (HITT) Impact				
	Estimated Health Care Trust Fund FY07	Estimated Health Care Trust Fund FY08	Estimated Health Care Trust Fund FY09	
Cigarette Tax Impact	\$ 39,397,379	\$ 161,645,974	\$ 164,344,610	
Tobacco Tax Impact	\$ 4,684,280	\$ 15,196,001	\$ 15,750,279	
Total HITT Fund Impact	\$ 44,081,659	\$ 176,841,975	\$ 180,094,889	

More Information

The Fiscal Note for HF 346 will be available on the Legislative Services Agency (LSA) web site at: <http://www3.legis.state.ia.us/fiscalnotes/>.

STAFF CONTACT: Shawn Snyder (Ext. 17799)

SENATE PASSES CRIME VICTIM ASSISTANCE BILL – SF 70

Victim Compensation



The Senate passed SF 70 (Crime Victim Assistance Bill) on February 21. The Bill relates to eligibility for benefits and expenditures from the Crime Victim Compensation Fund and permits the Office of the Attorney General to maintain the Iowa Victim Information and Notification Everyday (IowaVINE) System.

Payment Limits

The Bill also increases the payment limits for medical care, counseling services, bedding and clothing held as evidence, loss of support for dependents of a murder victim or a victim disabled from work over 60 days, and clarifies the lost wages benefit is \$1,000 per parent or caretaker, rather than \$1,000 per case.

Dependent Care

In addition, the Bill creates new benefits, including dependent care expenses incurred by the victim while attending criminal justice proceedings or medical or counseling services; replacement of locks, windows, and other security items; and transportation costs to medical, funeral, counseling, and criminal justice proceedings. The Bill allows compensation to be paid to victims of reckless boating, hit and run boating, and boating under the influence of drugs.

Fiscal Impact



The estimated fiscal impact of SF 70 is an increase in expenditures of \$1.4 million from the Crime Victim Compensation Fund. The expansion of benefits will not exceed the capacity of the Fund. The expenditures will reduce the year-end fund balance. Any federal reimbursement for direct payment to victims will be received in the next fiscal year.

More Information

The Fiscal Note for SF 70 is available on the LSA web site at: <http://www3.legis.state.ia.us/fiscalnotes/>.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

SENATE LABOR AND BUSINESS RELATIONS COMMITTEE PASSES CONTRACTOR REGISTRATION FEE CHANGES BILL – SF 273

Contractor Fees



The Senate Labor and Business Relations Committee passed SF 273 (Contractor Registration Fee Changes Bill) on February 21. The Bill increases construction contractor registration fees to \$75 every two years for

in-state contractors and to \$150 every two years for out-of-state contractors. The current fee is \$25 for both.

Fiscal Impact

The amount collected from in-State contractors will increase by an estimated \$350,000 - \$525,000. The amount collected from out-of-state contractors will increase by \$187,500 - \$225,000. General Fund revenue will increase by an estimated \$538,000 annually beginning in FY 2008.

More Information

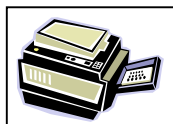
The Fiscal Note for SF 273 is available on the LSA web site at:

<http://www3.legis.state.ia.us/fiscalnotes>.

STAFF CONTACT: Ron Robinson (Ext. 16256)

**ADMINISTRATION AND REGULATION APPROPRIATIONS
SUBCOMMITTEE MEETING****Subcommittee Meeting**

The Administration and Regulation Appropriations Subcommittee met on February 21.

Presentations

Secretary of State Michael Mauro presented information related to the need for additional funding after further review of the Office. Secretary Mauro indicated a shortfall of approximately \$1.6 million compared to the initial request. He also discussed options for modifying current voting equipment to ensure that each machine will have a paper trail for any needed recounts.

Director Gary Kendell, Office of Drug Control Policy, presented information on the impact on Drug Task Forces due to the loss of federal funding and the possibility that some funding may be restored.

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: 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 February 19.

February 21

Chairperson Kevin Jacobson discussed the Iowa Watershed Improvement Review Board. In addition, Herb Kuehne discussed data collection using Light Detection and Ranging (LiDAR).

February 22

The Subcommittee discussed budget priorities for the FY 2008 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 February 19.

February 20

The Subcommittee studied issues in each caucus.

February 21

Charlie Kress, wastenotIOWA, presented information on converting waste material to energy using Plasma Arc Technology. Also in attendance were Dennis Naughton, President, wastenotIOWA, and Doug Prouty.

February 22

The Subcommittee studied issues in each caucus, then met to discuss passing the Economic Development Appropriations Bill out of the Joint Subcommittee next week.

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 February 19.

February 21



Representatives of the After School Alliance presented information on the importance of after school programs. Several groups were represented, including Keokuk, Davenport, and Fort Dodge school districts; Girl Scouts; and Boys and Girls Clubs of America.

Robin Madison, LSA, provided a brief overview of the Accelerated Career Education (ACE) Program at the community colleges.

February 22

The Subcommittee discussed budget priorities for FY 2008.

Tentative Schedule



The tentative schedule for the week of February 26 includes:

- Tuesday, February 27 – No formal meeting.
- Wednesday, February 28 – Budget discussion.
- Thursday, March 1 – Consider Education Appropriations Bill.

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 February 19.

February 20

Jim Krogman and Tom Bouska, Department of Human Services (DHS), provided information on Field Operations within the Department. In addition, information on the Eldora State Training School and the Toledo Juvenile Home was provided by Superintendent Al Jensen, Eldora, and Superintendent Deb Hanus, Toledo.

February 21

Interim Director Mary Jones, Department of Public Health; and Art Schut, Mid-Eastern Council on Chemical Abuse; provided information on substance abuse prevention and treatment. Also, Dr. David Carlyle, Iowa Academy of Family Practitioners, provided testimony on child health issues. Director Patrick Palmersheim, Department of Veterans Affairs, testified regarding veterans issues.

February 22

Mary Nelson, DHS; Jeff Lindemon, Linn County Youth Services; Tom Lazio, American Home Finding Association; Jim Ernst, Four Oaks - Cedar Rapids; and Brad Klug, Rabiner Treatment Center - Ft. Dodge; provided information regarding child welfare issues such as shelter care, foster care, and the redesign.

Tentative Schedule

The tentative schedule for the week of February 26 includes:

- Tuesday, February 27 – Child Care and Elevate Youth Program.
- Wednesday, February 28 – First Lady Mari Culver, Public Health Redesign, and Child Health Issues.
- Thursday, March 1 – To be determined.

More Information

Copies of agendas, minutes, and selected handouts distributed to the Subcommittee 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) Jess Benson (Ext. 14613)
Sue Lerdal (Ext. 17794)

**JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE
MEETINGS****Subcommittee Meetings**

The Justice System Appropriations Subcommittee met the week of February 19.

February 20

Carlos Jayne, Justice Reform Consortium, presented information on alternatives to incarceration and corrections programs.

February 21

The LSA distributed bill drafts for the Justice System and Judicial Branch. The Committee discussed the process used to facilitate the creation of budget bills.

Tentative Schedule

The tentative schedule for the week of February 26 is decision-making related to the budget bills.

More Information

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

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

**TRANSPORTATION, INFRASTRUCTURE, AND CAPITALS
APPROPRIATIONS SUBCOMMITTEE MEETINGS**

Subcommittee Meetings

The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met the week of February 19.

February 20

The Iowa Association of Community College Trustees presented information on the Accelerated Career Education (ACE) Program. The Program allows Iowa-based companies in need of skilled workers to replace retiring employees and to partner with community colleges on a specialized training program.

February 21



The Subcommittee toured the Mercy Capitol property. The Department of Administrative Services (DAS) is seeking to acquire the property for future use as a State office building.

The Subcommittee also toured the newly renovated Property and Records Management Building. The Building will be the new location of the Department of Public Safety. The DAS was appropriated \$18.0 million from FY 2004 to FY 2008 for the renovation, which is anticipated to be completed around April 1.

February 22

The Fiscal Services Division of the LSA presented the Governor's FY 2008 recommendations for infrastructure projects totaling \$262.7 million.

More Information

Copies of agendas, minutes, and selected handouts distributed to the Subcommittee 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 MEETINGS

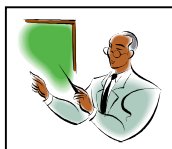
Committee Meetings

The Government Oversight Committee met on February 20-22.

ICN

Director John Gillispie, Iowa Communications Network (ICN), responded to questions that the Committee had previously provided. The questions related to the current uses and future needs of the ICN to increase utilization statewide. Director Gillispie also discussed the history of the development of the ICN and the funding demands required to keep it technically functional.

Request for Audit



The Committee sent a letter to the State Auditor requesting that an audit be conducted on the web-based project developed by County Treasurers to allow taxpayers to make property tax payments and renew licenses via the Internet. Concerns were brought to the Committee last December by the

Iowa State County Treasurers Association (ISCTA) regarding accountability and control of the web site and financial management of deposits in the Polk County Treasurer Internet Clearing Account (PCTICA).

GEMS

Kathie Mabie, Grants Enterprise Management System (GEMS), provided a history and an update on GEMS, including funding issues. Ms. Mabie requested some legislative changes that change the reporting of grants and allow carryover of unused funding to FY 2008. The Committee will take action on these changes at the next meeting. The Committee has requested regular updates since the inception of GEMS was authorized by the 2003 General Assembly.

More Information

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

STAFF CONTACT: Sam Leto (Ext. 16764) Douglas Wulf (Ext. 13250)
Richard Nelson (2-5822)

ISSUE REVIEW – IOWA STUDENT LOAN LIQUIDITY CORPORATION

Issue Review

The Fiscal Services Division of the LSA recently published an *Issue Review* on the Iowa Student Loan Liquidity Corporation (ISLLC).

Background

The ISLLC was established in 1979 by proclamation of Governor Ray. It is a private nonprofit corporation and the bylaws require all 11 members of the Board to be appointed by the Governor. The ISLLC is not a State agency and receives no direct State funding. However, they receive an allocation of 16.0% of the State's tax exempt bond issue authority and have a close working relationship with the College Student Aid Commission.

Finances



Iowa Student Loan (ISL) currently has approximately \$3.0 billion in student loan receivables and a similar amount of long-term bonds outstanding. Copies of the ISL audited financial statements for the period ending June 30, 2006, are located on the web site at: <http://www.studentloan.org/pdf/investors/2006-audited-financial-statement.pdf>.

Iowa Student Loan generates income from owning and servicing loans, mainly from interest earned on outstanding loans and from origination fees charged when loans are disbursed. In FY 2006, ISL had revenues totaling \$221.7 million, with \$181.0 million (81.6%) from interest. Operating expenses for FY 2006 were \$199.4 million, resulting in operating income of \$22.3 million. Net assets have grown significantly, by 60.1% from FY 2003 to FY 2006.

Recent Issues/Concerns

The following issues are highlighted:

- Public/Private Organization – Recent activity between ISLLC and the College Student Aid Commission has caused some tension. The underlying reasons for the tension seem to be twofold: public/private conflict issues and shared Board members. The College Aid Commission, as a State agency, is subject to the open meetings law. Iowa Student Loan, as a private entity, is not.



- ISL Profits – Iowa Student Loan has significant annual profits and net asset growth. The General Assembly may wish to consider requesting an independent review of the audited financial statements of ISL to determine if the nonprofit mission is being achieved. It may be possible that ISL could devote more retained earnings to Iowa students in the form of reduced fees and/or interest rates.

More Information

A copy of the **Issue Review** may be accessed on the LSA web site at:
<http://www.legis.state.ia.us/lisadocs/IssReview/2007/IRMAS000.PDF>.

STAFF CONTACT: Mary Shipman (Ext. 14617)

This document can be found on the LSA web site:
<http://www.legis.state.ia.us/Fiscal/fiscupdt/>