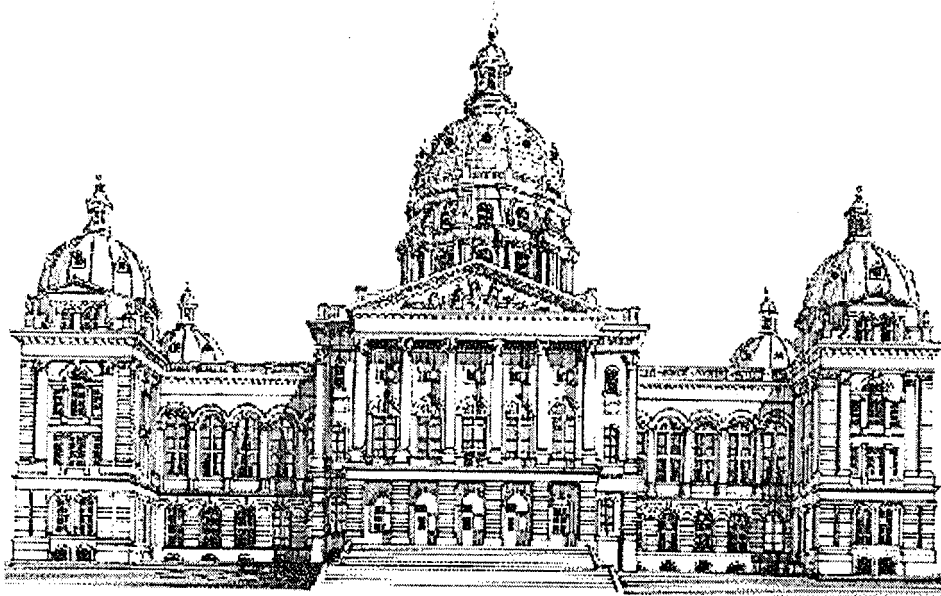


**STATE OF IOWA
SUMMARY OF FY 1998 BUDGET
AND
GOVERNOR'S RECOMMENDATIONS**



**Legislative Fiscal Bureau
January 1997**

FOREWORD



The purpose of this document is to provide the General Assembly with information concerning FY 1998 General Fund estimated receipts, departmental requests and Governor's recommendations. This information provides an overall summary of the State Budget and is intended to help the General Assembly take a proactive approach toward the budgetary process.

The emphasis of this document is to provide an overview of the General Fund, including revenues, expenditures, and FTE positions to all members of the General Assembly. The Legislative Fiscal Bureau (LFB) will have detailed budget documents for each appropriations subcommittee containing an overview and analysis of departmental budgets and Governor's recommendations. The appropriations subcommittees can use the documents for consideration of the FY 1998 budget.

The LFB provides a series of computer programs to allow legislators and legislative staff on-line access to several LFB products. The explanation and list of products are detailed in Appendix E entitled Electronic Publishing of Information. A logo has been designed to assist in the location of products associated with the Electronic Publishing of Information. Whenever the logo is displayed, that information is available on-line through the LFB's "Fiscal" Program.



If you need additional detail information regarding a departmental request or Governor's recommendation, Appendix F contains a list of LFB staff members. The individual analysts have the detail information concerning each request.



Questions concerning this document should be directed to Dennis Prouty, LFB Director, (515) 281-5279.

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DOCUMENT NOTES

When Reviewing This Document, Please Note The Following:

Section 8.35A (2) Code of Iowa, requires the Department of Management (DOM) to transmit the Governor's recommendation to the Legislative Fiscal Bureau (LFB) by January 1 or no later than the date the Governor's budget document is delivered to the printer. The information in this document is based upon the January 7 budget tape received by the LFB. Other items worth noting when reviewing this document include:

- The FTE position figures in the subcommittee historical funding tables are FTE positions funded with all funds, not just the General Fund. The FTE positions are estimated for FY 1997.
- Revenue and expenditures are estimated for FY 1997 and FY 1998.
- FY 1996 data includes supplemental appropriations and salary adjustments, but not appropriation transfers or reversions. FY 1997 and FY 1998 data do not include supplemental appropriations, salary adjustments, appropriation transfers, or reversions.
- The Governor's recommendations are highlighted with shading in the issue discussions. In the budget sections, the Governor's recommendations that are new or differ significantly from the departments' requests are italicized.
- **Appendix A** is a General Fund appropriations tracking document by appropriations subcommittee.
- **Appendix B** is a listing of the projected FY 1998 built-in increases and decreases from FY 1997.
- **Appendix C** is a glossary of budget terms.
- **Appendix D** contains a listing of the *Issue Reviews* completed by the LFB during the 1996 Interim.
- **Appendix E** contains an explanation and list of products available through the LFB's Electronic Publishing of Information. A logo has been designed to assist in the location of products associated with the Electronic Publishing of Information. Whenever the logo is displayed, that information is available on-line through the LFB's "Fiscal" Program.
- **Appendix F** contains the LFB staff listing.



1997 IOWA LEGISLATIVE SESSION TIMETABLE

(If legislative rules remain unchanged)

- **January 13** - First day of Session.
- **February 28** - Final day for individual requests for bill drafts to be submitted to the Legislative Service Bureau.
- **March 21** - Final day for House bills to be reported out of House committees and Senate bills out of Senate committees.
- **March 24 - 28** - House considers only House bills and unfinished business and Senate considers only Senate bills and unfinished business.
- **March 31 - April 11** - Debate not limited by rule.
- **April 11** - Final day for Senate bills to be reported out of House committees and House bills to be reported out of Senate committees.
- **April 14 - 18** - House considers only Senate bills and unfinished business and Senate considers only House bills and unfinished business.
- **April 21** - Amendments need not be filed on the day preceding floor debate.
- **April 21** - Only the following bills are eligible for consideration:
 - Appropriations bills
 - Ways and Means bills
 - Legalizing Acts
 - Co-sponsored by Majority and Minority Leaders
 - Companion bills sponsored by House and Senate Majority Leaders
 - Conference Committee Reports
 - Bills passed by both Houses in different forms
 - Concurrent or Simple Resolutions
 - Bills on the Veto Calendar
 - Administrative Rules Review Committee bills
 - Joint resolutions nullifying Administrative Rules
 - Unfinished business
- **May 2** - 110th day of the Session.



EXPENDITURE LIMITATION ACCOUNTS

Cash Reserve Fund (CRF)



- The Cash Reserve Fund Account requires a balance of 5.0% of the adjusted revenue estimate for the General Fund.
- The year-end General Fund surplus (ending balance) is appropriated to the Cash Reserve Fund.
- Interest on moneys deposited in the Fund is credited to the Rebuild Iowa Infrastructure Fund.
- Moneys in the Cash Reserve Fund may be used for cash flow purposes, but shall be returned by the end of the fiscal year.
- Appropriations from the Fund are allowed if:
 - The appropriation is for a non-recurring emergency expenditure.
 - Funding is contained in a bill or resolution in which the appropriation is the only subject matter.
 - The appropriation is approved by a majority of the members of both chambers and the Governor if the Fund is not reduced to below 3.0%. Approval of 60.0% of the members of both chambers and the Governor is required if the Fund is to be reduced below 3.0% of the adjusted General Fund revenue estimate.
- Current projections show that the CRF will have its maximum of 5.0% of General Fund receipts at the end of FY 1997.



GAAP Deficit Reduction Account (GAAP)

- The Generally Accepted Accounting Principles (GAAP) Account receives the amount of Cash Reserve Fund moneys in excess of the required balance.
- The Department of Management must annually file with both houses of the General Assembly a schedule of the items for reducing the GAAP deficit.
- Moneys which exceed the amounts required to retire the GAAP deficit are appropriated to the Economic Emergency Fund.

Economic Emergency Fund (EEF)

- The maximum balance of the Economic Emergency Fund Account is 5.0% of the adjusted revenue estimate for the General Fund. Moneys in excess of the required 5.0% are transferred to the General Fund.
- Interest on moneys deposited in the Economic Emergency Fund is credited to the Rebuild Iowa Infrastructure Fund.
- Moneys in the Economic Emergency Fund may be used for cash flow purposes, but shall be returned by the end of the fiscal year.
- Appropriations from the Fund require approval of a majority of the members of both chambers and the Governor's signature for an emergency expenditure.
- Current projections show that the EEF will have its maximum of 5.0% of General Fund receipts at the end of FY 1997.



Rebuild Iowa Infrastructure Fund (RIIF)

- Funds in the Rebuild Iowa Infrastructure Fund shall be used for public infrastructure-related expenditures.
- All racing and gaming receipts in excess of \$60.0 million shall be credited to the Rebuild Iowa Infrastructure Fund.
- Interest on moneys deposited in the Cash Reserve Fund and the Economic Emergency Fund is credited to the Rebuild Iowa Infrastructure Fund. Interest generated from the Rebuild Iowa Infrastructure Fund remains in the Fund.
- The General Assembly may provide that all or part of the moneys deposited in the GAAP Account may be transferred to the Rebuild Iowa Infrastructure Fund Account instead of the Economic Emergency Fund Account.

The Governor is recommending that receipts to the Rebuild Iowa Infrastructure Fund be reduced to the extent that gambling receipts exceed \$100.0 million. Gambling receipts over that amount would be transferred to the Technology Investment Account. This is expected to reduce revenues to the Infrastructure Fund by approximately \$18.1 million in FY 1998.

Technology Investment Account

- The Governor is recommending the creation of a Technology Investment Account.

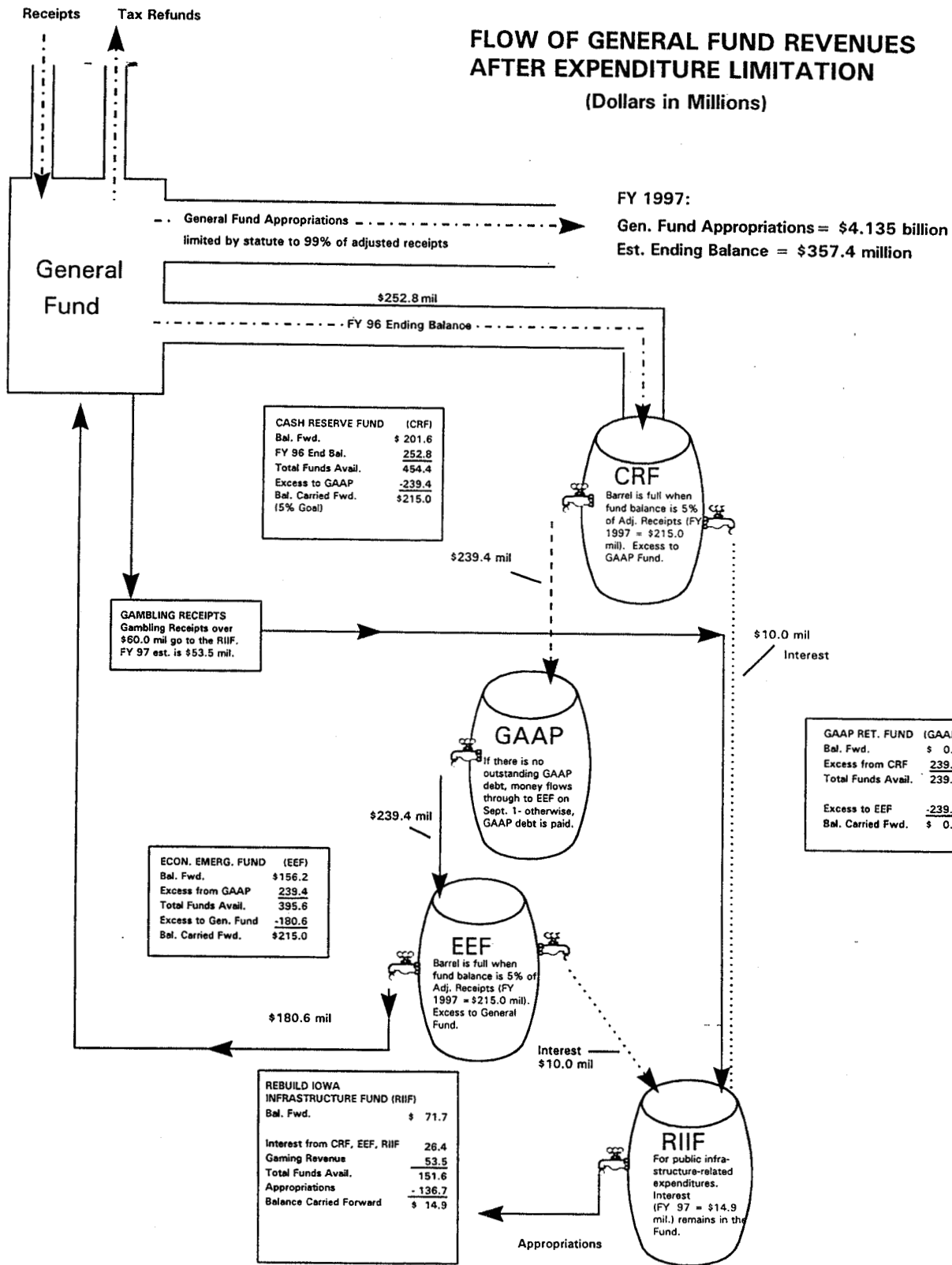


- The Governor is recommending that gambling receipts in excess of \$100.0 million (\$18.1 million in FY 1998) and 50.0% of reversions (\$3.5 million in FY 1998) be earmarked to the Account.
- Access to the funds in the Account would depend on several criteria outlined by the Governor. The moneys would be expended for technology, service delivery redesign, electronic commerce, and to update software affected by the year 2000 data processing issue.

The following flowchart illustrates the flow of General Fund revenues after expenditure limitation and under current law.

FLOW OF GENERAL FUND REVENUES AFTER EXPENDITURE LIMITATION

(Dollars in Millions)



STATE OF IOWA
Flow of General Fund Revenues After Expenditure Limitation

(Dollars in Millions)

CASH RESERVE FUND (CRF)	Actual FY 1995	Actual FY 1996	Estimated FY 1997	Gov. Rec. FY 1998	Gov. Rec. FY 1999
Balance Brought Forward	\$ 33.2	\$ 84.5	\$ 201.6	\$ 215.0	\$ 212.9
Estimated Revenues:					
General Fund Ending Balance	91.0	291.7	252.8	346.1	271.9
Racing and Gaming Revenue	20.1	0.0	0.0	0.0	0.0
Total Funds Available	144.3	376.2	454.4	561.1	484.8
Excess Transferred to GAAP	-59.8	-174.6	-239.4	-348.2	-261.6
Balance Carried Forward	<u>\$ 84.5</u>	<u>\$ 201.6</u>	<u>\$ 215.0</u>	<u>\$ 212.9</u>	<u>\$ 223.2</u>

GAAP DEFICIT REDUCTION ACCOUNT	Actual FY 1995	Actual FY 1996	Estimated FY 1997	Gov. Rec. FY 1998	Gov. Rec. FY 1999
Balance Brought Forward	\$ 13.2	\$ 23.9	\$ 0.0	\$ 0.0	\$ 0.0
Estimated Revenues:					
Excess Transferred from CRF	59.8	174.6	239.4	348.2	261.6
Use Tax Revenue	38.7	0.0	0.0	0.0	0.0
Total Funds Available	111.7	198.5	239.4	348.2	261.6
GAAP Appropriation Buy-back	-87.8				
Excess Transferred to RIIF		-50.0			
Excess Transferred to EEF		-148.5	-239.4	-348.2	-261.6
Balance Carried Forward	<u>\$ 23.9</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>

IOWA ECONOMIC EMERGENCY FUND (EEF)	Actual FY 1995	Actual FY 1996	Estimated FY 1997	Gov. Rec. FY 1998	Gov. Rec. FY 1999
Balance Brought Forward	\$ 3.1	\$ 7.7	\$ 156.2	\$ 215.0	\$ 212.9
Estimated Revenues:					
Excess from GAAP		148.5	239.4	348.2	261.6
Interest	4.6				
Total Funds Available	7.7	156.2	395.6	563.2	474.5
Excess Transferred to the Gen. Fund			-180.6	-350.3	-251.3
Balance Carried Forward	<u>\$ 7.7</u>	<u>\$ 156.2</u>	<u>\$ 215.0</u>	<u>\$ 212.9</u>	<u>\$ 223.2</u>

REBUILD IOWA INFRASTRUCTURE FUND (RIIF)	Actual FY 1996	Estimated FY 1997	Gov. Rec. FY 1998	Gov. Rec. FY 1999
Balance Brought Forward		\$ 71.7	\$ 0.0	\$ 0.0
Estimated Revenues:				
Interest from CRF, EEF, & RIIF	23.5	26.4	25.0	25.0
Gambling Revenue	46.2	53.5	40.0	40.0
Funds Transferred from GAAP	50.0			
Total Funds Available	119.7	151.6	65.0	65.0
Appropriations	-48.0	-136.7	-65.0	-65.0
Gov. Rec. - Transfer to Technology Account		-14.9		
Balance Carried Forward	\$ 71.7	\$ 0.0	\$ 0.0	\$ 0.0

TECHNOLOGY INVESTMENT ACCOUNT	Actual FY 1996	Estimated FY 1997	Gov. Rec. FY 1998	Gov. Rec. FY 1999
Balance Brought Forward			\$ 0.0	\$ 14.2
Transfer of Racing and Gaming Revenues			18.1	18.0
Infrastructure Fund Ending FY 97 Balance			14.9	
Operating Appropriation Reversions			3.5	3.5
Fiscal Year 95 Excess Lottery Profits			1.9	
Interest Earnings			0.2	0.2
Total Funds Available			38.6	35.9
Technology Projects Appropriations			-24.4	-35.9
Ending Balance			\$ 14.2	\$ 0.0

FY 1998 REVENUE ESTIMATES

General Fund

State General Fund revenues are estimated by a three-member Revenue Estimating Conference (REC) which meets at least quarterly. Members are the Director of the Legislative Fiscal Bureau (Dennis Prouty), the Governor or the Governor's designee (Gretchen Tegeler, Director of the Department of Management), and a third member agreed to by the other two members (Jim Paulsen, economist and investment fund manager with Investors Management Group in Des Moines). The REC was created by statute in 1987 during government reorganization.

The December estimate (this year the December meeting was held in November) is required to be used by the Governor in the preparation of the budget message and by the General Assembly in the budget process. If the April estimate reduces the December revenue estimate, the Governor must adjust the budget recommendations to account for the reduction in revenue. If the REC increases the April estimate above the December figure, the Governor and General Assembly shall continue to use the lower projection established in December.



On November 21, 1996, the REC estimated FY 1998 total State General Fund revenues at \$4.835 billion. This reflects growth in revenue of \$208.0 million (4.5%) compared to estimated FY 1997. The statutory limitation on expenditures is 99.0% of the adjusted revenue estimate plus excess balances from prior years.

Lottery Receipts

The REC estimates that the lottery receipts to the General Fund will be \$38.2 million in FY 1997 and \$38.2 million in FY 1998.

Tax Refunds

The REC estimates that the tax refunds from the General Fund will be \$387.9 million in FY 1997 and \$415.6 million in FY 1998.

STATE OF IOWA
Projected Condition of the General Fund
(Dollars in Millions)

	<u>Fiscal Year 1997</u>		<u>Fiscal Year 1998</u>	
	<u>Governor's Recomm.</u>	<u>Current Law</u>	<u>Governor's Recomm.</u>	<u>Current Law</u>
<i>Estimated Funds Available:</i>				
Estimated Receipts				
Revenue Est. Conference	\$ 4,627.0	\$ 4,627.0	\$ 4,835.1	\$ 4,835.1
Excess from Economic Emergency Fund	180.6	180.6	350.3	350.3
Revenue Adjustments (Exh. 1)	-3.1		-218.7	
Transfers (Exh. 1)	50.5	50.5	43.2	5.0
Total Receipts	<u>4,855.0</u>	<u>4,858.1</u>	<u>5,009.9</u>	<u>5,190.4</u>
Tax Refunds	- 387.9	- 387.9	- 415.6	- 415.6
Accruals	13.3	13.3	14.2	14.2
<i>Total Funds Available</i>	<u>4,480.4</u>	<u>4,483.5</u>	<u>4,608.5</u>	<u>4,789.0</u>
			<u>\$ 4,565.9</u>	<u>\$ 4,782.4</u>
<i>Expenditure Limitation</i>				
<i>Estimated Appropriations:</i>				
General Fund	4,134.8	4,134.8	4,344.1	
Supplemental Appropriations (Exh. 1)	8.2			
Reversions	- 8.7	-8.7	-7.5	
<i>Net Appropriations</i>	<u>4,134.3</u>	<u>4,126.1</u>	<u>4,336.6</u>	<u>0.0</u>
<i>Ending Balance prior to Cash Reserve Transfer</i>	<u>\$ 346.1</u>	<u>\$ 357.4</u>	<u>\$ 271.9</u>	<u>\$</u>

Exhibit 1

	<u>Fiscal Year 1997</u>		<u>Fiscal Year 1998</u>	
	<u>Governor's Recomm.</u>	<u>Current Law</u>	<u>Governor's Recomm.</u>	<u>Current Law</u>
Revenue Adjustments				
Proposed Tax Changes				
Personal Income Tax	\$ - 3.1	\$	\$ - 196.0	\$
Inheritance Tax			- 18.2	
Sales Tax-Machinery & Equipment			- 4.0	
Sub Chapter S Corporations			0.0 *	
Tuition Tax Credit			- 1.5	
Tax Exempt Bonds			- 0.7	
Other Revenue Adjustments				
Public Safety and Racing Revenue			1.3	
Eliminate Real Estate Transfer Tax			0.4	
Total Revenue Adjustments	<u>\$ - 3.1</u>	<u>\$</u>	<u>\$ - 218.7</u>	<u>\$ 0.0</u>

* Fiscal impact is effective in FY 1999

Transfers				
Lottery Proceeds	\$ 38.2	\$ 38.2	\$ 38.2	\$
Marine Fuel Tax Revenues	2.3	2.3	2.3	2.3
Indirect Cost Transfers	1.9	1.9	1.5	1.5
Corrections Infrastructure Fund	1.1	1.1	0.5	0.5
Insurance Reserves Receipts	6.3	6.3		
Miscellaneous	0.7	0.7	0.7	0.7
Total Cash Transfers	<u>\$ 50.5</u>	<u>\$ 50.5</u>	<u>\$ 43.2</u>	<u>\$ 5.0</u>

Supplemental Appropriations				
Information Services - Year 2000 Project	\$ 3.0			
Regents - Salary Adjustment	2.3			
Human Serv.- Fed. Funds Replacement	2.4			
General Services - Utilities	0.2			
Education - Excellence 21st Century	0.1			
Education - Access Iowa	0.1			
Inspections & Appeals - Pari Mutuel	0.1			
Public Safety - Rverboat Enforcement	0.1			
Total Supplemental Appropriations	<u>\$ 8.3</u>	<u>\$</u>		

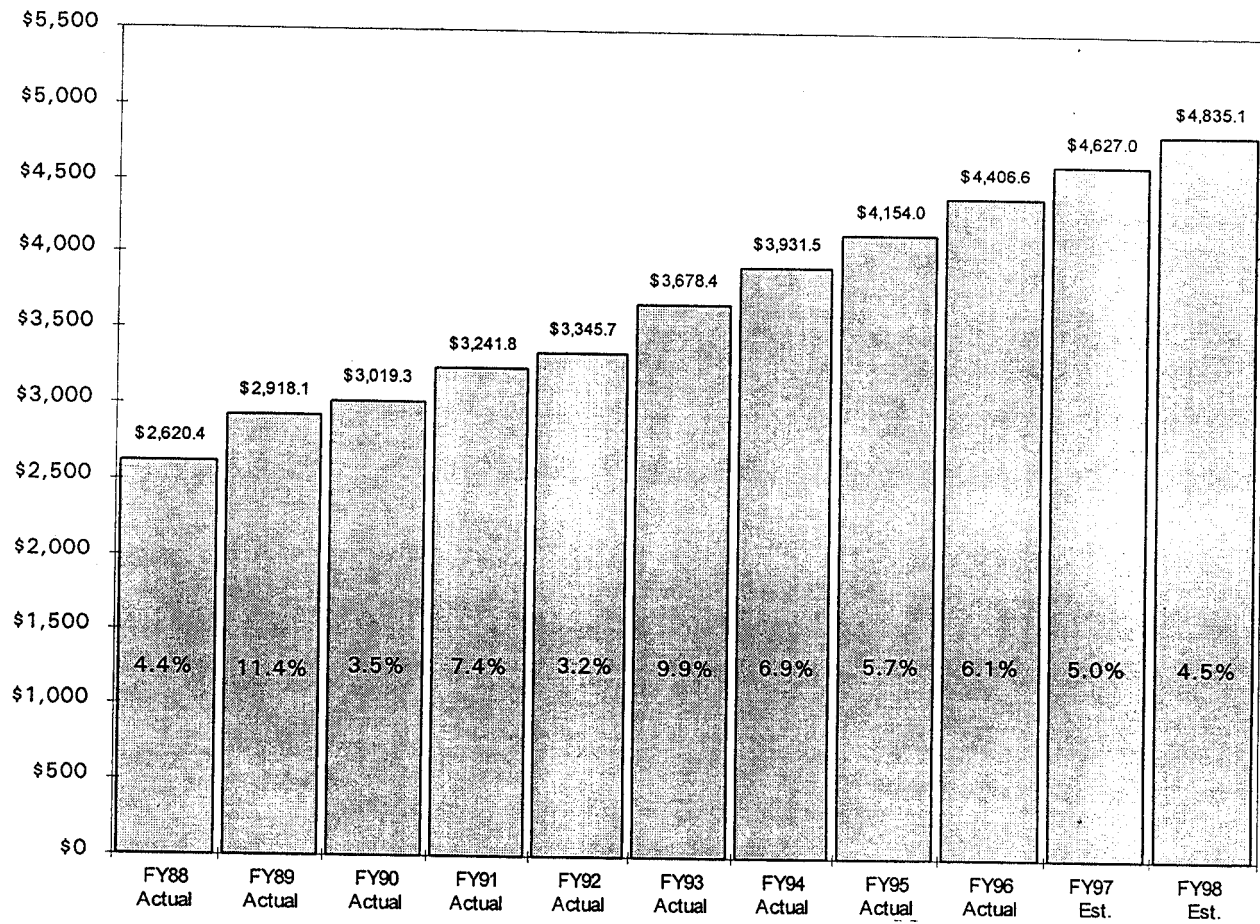
STATE OF IOWA
Calculation of Statutory Expenditure Limit
(Dollars in Millions)

Fiscal Year 1998

	Governor's Recommendation		
	Current	New	Total
	Revenue	Revenue	Revenue
Revenue Estimate per Revenue Estimating Conference	\$ 4,835.1	\$ 0.0	\$ 4,835.1
Refund of Taxes	- 415.6		- 415.6
Accrued Revenue Changes	14.2		14.2
Transfers	43.2		43.2
Total	<u>4,476.9</u>	<u>0.0</u>	<u>4,476.9</u>
Revenue Adjustments:			
Personal Income Tax	- 196.0		- 196.0
Inheritance Tax	- 18.2		- 18.2
Sales Tax - Machinery & Equipment	- 4.0		- 4.0
Sub Chapter S Corporations	0.0		0.0
Tuition Tax Credit	- 1.5		- 1.5
Tax Exempt Bonds	- 0.7		- 0.7
Public Safety and Racing Revenue		1.3	1.3
Real Estate Transfer		0.4	0.4
Total Revenue Adjustments	<u>- 220.4</u>	<u>1.7</u>	<u>- 218.7</u>
Funds Subject to Expenditure Limit Calculation	4,256.5	1.7	4,258.2
Applicable Limit Percentage	99%	95%	
Funds after Expenditure Limit Calculation	4,213.9	1.6	4,215.6
Economic Emergency Fund Excess	350.3		350.3
Total Amount of Expenditure Limit	<u>\$ 4,564.2</u>	<u>\$ 1.6</u>	<u>\$ 4,565.9</u>

GENERAL FUND RECEIPTS AND PERCENT OF GROWTH FY 1988 - FY 1998

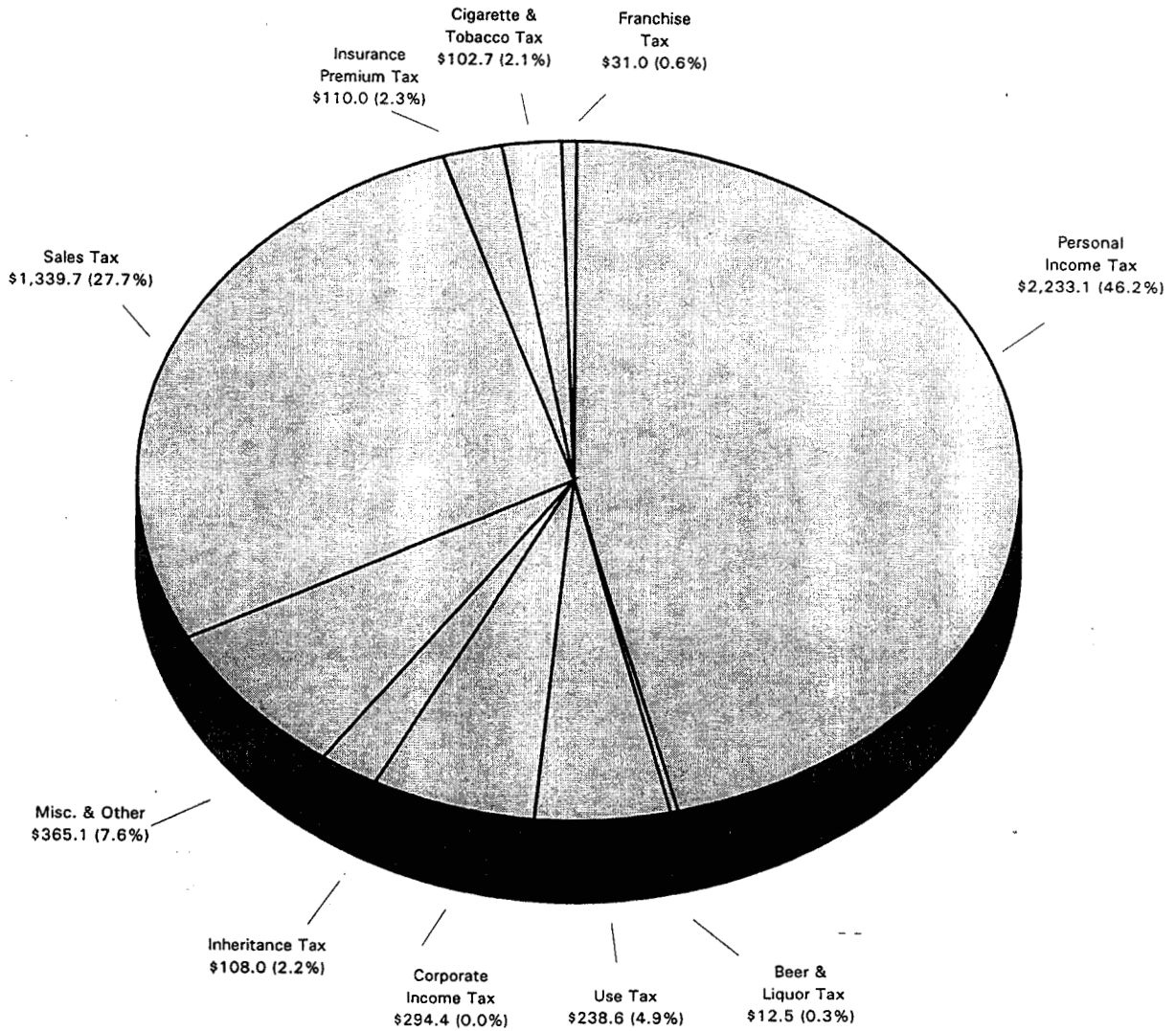
(Dollars in Millions)



Note: FY 1997 and FY 1998 figures are estimated by the November 21, 1996, Revenue Estimating Conference.

FY 1998 ESTIMATED GENERAL FUND RECEIPTS

(Dollars in Millions)



Total Estimated General Fund Receipts: \$4.835 million

As estimated by the November 21, 1996, Revenue Estimating Conference

FY 1996 - FY 1998 REVENUE PROJECTION FOR THE GENERAL FUND


(Dollars in Millions)

<u>Tax Source</u>	FY 1996	FY 1997	% Change from FY 1996	FY 1998	% Change from FY 1997
	<u>Actual</u>	<u>Estimated</u>	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>
Personal Income Tax	\$ 2,000.9	\$ 2,109.0	5.4%	\$ 2,233.1	5.9%
Sales Tax	1,213.0	1,275.0	5.1	1,339.7	5.1
Use Tax	207.8	224.5	8.0	238.6	6.3
Corporate Income Tax	277.6	294.4	6.1	294.4	0.0
Inheritance Tax	95.9	108.0	12.6	108.0	0.0
Insurance Premium Tax	104.3	107.0	2.6	110.0	2.8
Cigarette Tax	94.1	95.0	1.0	97.0	2.1
Tobacco Tax	5.3	5.5	3.8	5.7	3.6
Beer Tax	12.6	12.5	-0.8	12.5	0.0
Franchise Tax	26.5	30.0	13.2	31.0	3.3
Miscellaneous Tax	0.9	0.9	0.0	0.9	0.0
Total Tax Receipts	\$ 4,038.9	\$ 4,261.8	5.5%	\$ 4,470.9	4.9%
 <u>Other Receipts</u>					
Institutional Payments	105.0	104.7	-0.3	103.8	-0.9
Liquor Transfers					
A. Profits	29.0	29.0	0.0	29.0	0.0
B. 7% Gross Revenues	9.0	9.0	0.0	9.0	0.0
Interest	13.5	13.0	-3.7	13.0	0.0
Fees	61.7	62.6	1.5	62.3	-0.5
Judicial Revenue	40.0	40.1	0.3	40.1	0.0
Miscellaneous Receipts	49.5	46.8	-5.5	47.0	0.4
Pari-Mutuel Receipts	60.0	60.0	0.0	60.0	0.0
Total Receipts	\$ 4,406.6	\$ 4,627.0	5.0%	\$ 4,835.1	4.5%

Note: FY 1997 and FY 1998 were estimated by the Revenue Estimating Conference on November 21, 1996. The revenues do not reflect transfers, refunds, or accruals.

GOVERNOR'S FY 1998 GENERAL FUND RECOMMENDATION

The Governor's FY 1998 General Fund budget recommendation is \$4.344 billion, an increase of \$209.3 million (5.1%) compared to estimated FY 1997.

- The Governor is recommending \$8.2 million in FY 1997 supplemental appropriations. This results in a FY 1997 ending General Fund balance of \$346.1 million. The FY 1997 ending balance will meet and exceed the 5.0% requirement of the Cash Reserve Fund and the 5.0% requirement of the Economic Emergency Fund. The Governor's FY 1998 budget includes \$350.3 million excess transferred from the Economic Emergency Fund to the General Fund.
- Combined FY 1998 tax reductions of \$220.4 million, including: income tax \$196.0 million, inheritance tax \$18.2 million, sales tax machinery and equipment \$4.0 million, tuition tax credit \$1.5 million, and tax exempt bonds \$0.7 million. The Subchapter S Corporations tax reduction has a fiscal impact in FY 1999. In addition to the \$24.5 million increase for current property tax reductions, the Governor is recommending an additional \$20.0 million for homestead property tax credit. 
- The Governor's budget does not include a provision for salary adjustment. Traditionally, the Governor makes a formal recommendation at the conclusion of the collective bargaining process. The Governor's budget does include an estimated savings of salary costs of \$6.3 million by recommending changes in health insurance benefits prior to collective bargaining for FY 1998.
- The Governor is recommending creating a \$38.6 million Technology Investment Account (TIA) to fund enterprise wide technology investments. The source of funds for FY 1998 are:
 - Dedicating gambling revenue in excess of \$100.0 million, estimated to be \$18.1 million. The gambling revenue currently goes into the Rebuild Iowa Infrastructure Fund (RIIF). The gambling revenue would be an ongoing source of funds.
 - 50.0% of the reversions from operation accounts, estimated to be \$3.5 million. This revenue currently goes back to the General Fund. The reversions would be an ongoing source of funds.
 - The FY 1997 RIIF ending balance of \$14.9 million. This would be one-time start up funding.

- The FY 1995 Excess Lottery Funds of \$1.9 million. This would be one-time start up funding.
- The Governor's FY 1998 budget reduces receipts by \$218.7 million and increases spending by \$209.3 million. The combined effect is a decrease in the FY 1998 ending General Fund balance of \$74.2 million compared to the FY 1997 ending balance. The subsequent transfer to the General Fund of the excess from the Economic Emergency Fund decreases from \$350.3 million in FY 1998 to an estimated \$251.3 million in FY 1999.



Table 1 lists the General Fund increases and decreases of \$2.0 million or more recommended by the Governor for FY 1998.

Table 1

Governor's Major General Fund Decreases/Increases Recommendations

<u>Department</u>	<u>Appropriation</u>	<u>Estimated FY 1997</u>	<u>Governor's Rec. FY 1998</u>	<u>Difference Gov. Rec. v. FY 1997</u>	<u>% Change Gov. Rec. v. FY 1997</u>
Human Services	Family Investment Program	\$ 34,787,255	\$ 9,067,449	\$ -25,719,806	-73.9%
Human Services	Promise Jobs	12,601,592	0	-12,601,592	-100.0%
Management	Salary Adjustment	0	-6,300,000	-6,300,000	-100.0%
General Services	Information Services	5,706,871	0	-5,706,871	-100.0%
<i>Total Decreases Over \$2.0 Million</i>		<u>\$ 53,095,718</u>	<u>\$ 2,767,449</u>	<u>\$ -50,328,269</u>	

Table 1
Governor's Major General Fund Decreases/Increases Recommendations
(Continued)

<u>Department</u>	<u>Appropriation</u>	<u>Estimated</u> <u>FY 1997</u>	<u>Governor's</u> <u>Rec.</u> <u>FY 1998</u>	<u>Difference</u> <u>Gov. Rec.</u> <u>v. FY 1997</u>	<u>% Change</u> <u>Gov. Rec.</u> <u>v. FY 1997</u>
Education	School Foundation Aid	\$ 1,489,170,713	\$ 1,558,886,942	\$ 69,716,229	4.7%
Human Services	Child And Family Services	85,460,607	111,244,095	25,783,488	30.2%
Revenue & Finance	MH Property Tax Relief	78,000,000	101,163,211	23,163,211	29.7%
Revenue & Finance	Homestead Tax Credit Aid	93,573,219	113,573,219	20,000,000	21.4%
Human Services	Medical Assistance	366,687,988	381,901,557	15,213,569	4.1%
Education	Technology/School Improvement	15,000,000	30,000,000	15,000,000	100.0%
Corrections	Ft. Dodge Institution	0	9,540,122	9,540,122	100.0%
Public Safety	Iowa State Patrol	9,177,295	18,088,999	8,911,704	97.1%
Corrections	Newton Institution	10,494,101	19,251,272	8,757,171	83.4%
Human Services	Field Operations	39,482,739	47,512,240	8,029,501	20.3%
Revenue & Finance	Machinery/Equip Property Tax	7,000,000	12,500,000	5,500,000	78.6%
Info. Tech. Service	ITS Transition	0	4,814,962	4,814,962	100.0%
Judicial Branch	Judicial Branch	92,466,788	96,466,788	4,000,000	4.3%
Education	MAS - General Aid	126,006,270	130,006,270	4,000,000	3.2%
Insp. & Appeals	Indigent Defense Appropriation	17,475,074	20,786,516	3,311,442	18.9%
Corrections	Corrections Expansion-Phase II	0	3,186,275	3,186,275	100.0%
College Aid	Tuition Grant Program-Standing	38,664,750	41,664,750	3,000,000	7.8%
Regents, Board of	Univ. Of Iowa: Gen. University	210,567,777	213,451,453	2,883,676	1.4%
Regents, Board of	Iowa State: Gen. University	167,055,783	169,908,402	2,852,619	1.7%
Human Services	General Administration	11,948,791	14,266,111	2,317,320	19.4%
Revenue & Finance	Livestock Producers Credit	0	2,000,000	2,000,000	100.0%
<i>Total Increases Over \$2.0 million</i>		<u>\$ 2,858,231,895</u>	<u>\$ 3,100,213,184</u>	<u>\$ 241,981,289</u>	
Total Other Changes		\$ 1,223,428,728	\$ 1,241,075,384	\$ 17,646,656	1.4%
Grand Total		<u>\$ 4,134,756,341</u>	<u>\$ 4,344,056,017</u>	<u>\$ 209,299,676</u>	5.1%



The Governor's FY 1998 General Fund recommendations are listed in **Table 2** by Appropriations Subcommittee. Details of the recommendations are included in the FY 1998 Budgets and Subcommittee Issues Section of this document.

Table 2
Governor's FY 1998 General Fund Recommendations
(Dollars in Millions)

<u>Subcommittee</u>	Est. FY 1997	Gov. Rec. FY 1998	FY 1998 vs. FY 1997
Administration & Regulation	\$ 85.6	\$ 75.9	\$ -9.7
Agriculture & Natural Resources	47.0	47.8	0.8
Economic Development	37.3	37.7	0.4
Education	809.3	826.0	16.7
Health & Human Rights	84.7	86.5	1.8
Human Services	747.3	763.1	15.8
Justice System	338.7	379.8	41.1
Trans., Infrastructure, & Capitals	5.7	5.9	0.2
Oversight & Communications	17.1	22.9	5.8
Unassigned Standings	<u>1,962.0</u>	<u>2,098.5</u>	<u>136.5</u>
TOTAL	<u>\$ 4,134.8</u>	<u>\$ 4,344.1</u>	<u>\$ 209.3</u>

Note: The dollar amounts may not add due to rounding.

The Governor's FY 1997 General Fund supplemental recommendations are listed in **Table 3**.

Table 3

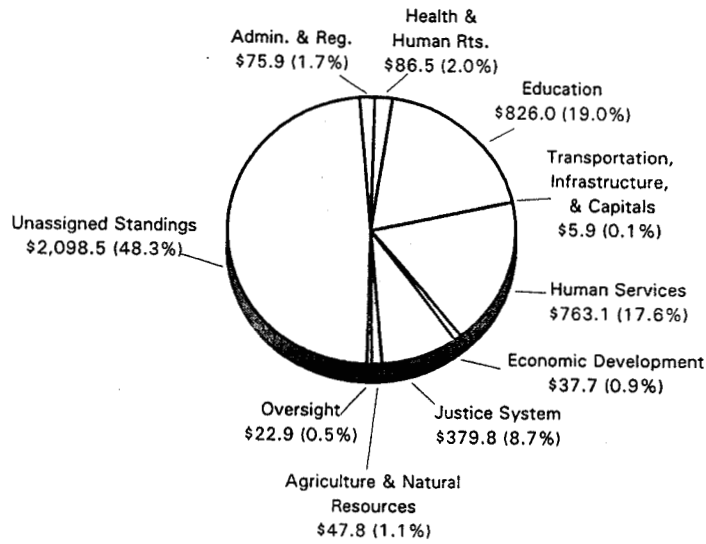
Governor's FY 1997 Supplemental General Fund Recommendations

<u>Department</u>	<u>Supplemental</u>	<u>Gov. Rec. FY 97</u>
Information Tech. Services	<i>Year 2000 Project</i> - This funds a portion of the Governor's recommended year 2000 data processing issue. The Governor is recommending a total of \$30.0 million over 3 years to correct this problem. (Note: For a more detailed discussion of this issue, see page 69.)	\$ 3,000,000
Regents	<i>Salary Adjustment</i> - Recommended to fully fund salaries at the average 4.0% increases for professional and scientific staff and faculty. The University of Iowa and the University of Northern Iowa have increased salaries to meet the mandate. Iowa State University increased salaries only 3.3%. If the supplemental is received, Iowa State University has indicated to the Board of Regents that the salaries of professional and scientific staff and faculty will be increased retroactively in FY 1997. The other two schools would take no action. If the supplemental is not received, the University of Iowa and the University of Northern Iowa plan to reduce the budgets in categories such as equipment or building repair and Iowa State University would take no action.	2,325,940
Human Services	<i>Federal Funds Replacement</i> - The SSBG was reduced in FY 1997 by 11.0%. The recommendation would replace both the State and county shares of SSBG funds.	2,381,052
General Services	<i>Utilities</i> - This supplemental is recommended due to the weather extremes resulting in increased costs for utilities.	161,197
Education	<i>Excellence 21st Century</i> - This project is to benchmark where the schools are at and to establish a roadmap and model for the future.	150,000
Education	<i>Access Iowa</i> - This is to implement the first step which will bring all key stakeholders together to develop guidelines and a framework to ensure greater access for all Iowans to the State's higher education resources.	50,000
Inspections & Appeals	<i>Pari-Mutuel</i> - Increased regulatory costs due to the expansion of the horse racing season at Prairie Meadows. The season is expanding by adding more days in FY 1997 as well extending later into FY 1998	98,695
Public Safety	<i>Riverboat Enforcement</i> - This is for 2.0 Gaming Enforcement Officers for the Clinton and Dubuque riverboats which began 24-hour operations in the spring of 1996.	71,114
		<u>\$ 8,237,998</u>

FY 1998 GENERAL FUND GOVERNOR'S RECOMMENDATIONS

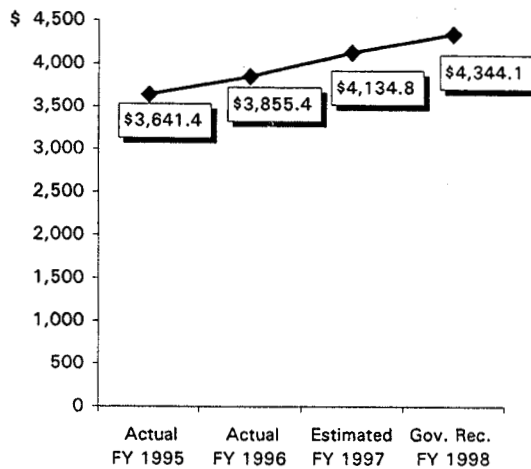
Total FY 1998 Recommendations: \$4,344.1 million

(Dollars in Millions)



Appropriations and Governor's Recommendations FY 1995 - FY 1998

(Dollars in Millions)



SALARIES AND COLLECTIVE BARGAINING

The State of Iowa is currently negotiating with the six unions representing State employees for salaries and benefits for FY 1998 and FY 1999. Chapter 20, Code of Iowa, establishes the framework and timeline for the bargaining process. The basic deadlines are:

- September through December - Unions and the State present initial proposals.
- January through March 15 - Subsequent bargaining sessions which may include the appointment of a mediator, fact finding, and binding arbitration.
- March 15 - Deadline for completion of the agreement.

The following table is a summary of the opening offers of four of the six collective bargaining units. The table contains only a summary of the major points. The Department of Management estimates that a 1.0% salary increase costs the General Fund \$10.0 million for all State employees.

The State has issued a response to the AFSCME opening offer. Major points of the State's response include:

- 1.0% across-the-board wage increase in FY 1998 and FY 1999.
- Elimination of automatic step increases. Replace automatic step increases with performance appraisal-based increases.
- Cap the maximum vacation accrual at 15 days per year after four years of service. Currently, employees are eligible for vacation increases after four, 11, 19, and 24 years of service.
- Reduce sick leave accrual from 18 days per year to eight. Eliminate conversion of accumulated sick leave to vacation. Change allowable uses of sick leave to exclude family death leave, pallbearer leave, or care for an ill family member.
- Reduction in the State share of health insurance from 100.0% of the cost of single plan to 75.0%, and approximately 66.0% of the cost of a family plan to 50.0%. Replace the current Blue Cross Plans 1, 2, and 3 with a single indemnity-based plan.

A full list of the proposed changes is available from the LFB. The remaining bargaining unit, Public Professional Maintenance Employees, has not yet presented their opening offer. As soon as the information becomes available, the LFB will provide an update to the members of the General Assembly.

The Governor's budget does not include the major provision for funding of FY 1998 salary adjustment costs. Traditionally, the Governor makes a formal recommendation at the conclusion of collective bargaining. However, the Governor is recommending significant changes to the collective bargaining



process and employee benefits which the Governor estimates will have the impact of reducing salary adjustment costs by \$6.3 million.

The changes proposed by the Governor to Chapter 20 of the Code of Iowa include:

- Requiring an arbitrator to compare the wage rates and benefits of private sector employees doing comparable work and considering the comparison when issuing awards on State employee wages and benefits.
- Requiring the General Assembly to approve the financial awards of a bargaining agreement imposed by an arbitrator.
- Restricting an arbitrator from considering the State's ability to raise taxes to fund an arbitration award involving State employees.

The Governor is also recommending additional changes to State employee benefits as follows:

Health Insurance

- Eliminating the current four indemnity health insurance plans and requiring a single indemnity plan for health insurance.
- Requiring employees under either single or double-spouse coverage to pay at least 25.0% of the premium.

The Governor estimates that reducing the number of health insurance plans and requiring that employees contribute at least 25.0% for health insurance will save the General Fund approximately \$6.3 million in FY 1998.

Leave

- Reducing sick leave days accrued from 18 days each year to eight.
- Capping the accumulation of sick leave at 90 days.
- Eliminating conversion of sick leave to vacation.

The Governor recommends making changes in the current system of step increases for employees. Step increases are worth approximately 5.0% and are in addition to any cost of living adjustments received by employees. The Governor recommends that step increases should be eliminated and replaced with a pool of funds to:

- Target increases to job classes where the State is not competitive with the private sector.
- Provide performance bonuses based on merit.

COLLECTIVE BARGAINING UNIT OPENING OFFERS

Bargaining Unit	FY 1998		FY 1999	
	Wages	Benefits	Wages	Benefits
American Federation of State, County, and Municipal Employees (AFSCME)	<ul style="list-style-type: none"> • 5.0% across-the-board increase. • Steps for eligible employees. • Additional (seventh and eighth) steps for all ranges. Employees will be eligible for seventh and eighth steps after 60 months on preceding step. 	<ul style="list-style-type: none"> • The State's contribution for Blue Cross Plan 2 (family) would be 80.0% of family premium and 100.0% of the Blue Cross Plan 3 premium. • Balance of sick leave at retirement converted at current value for health and life insurance. • The State would pay 100.0% of the cost of family dental coverage. • Increase life insurance coverage from a maximum of \$10,000 to two-times salary up to \$50,000 coverage. • Inclusion of Christmas Eve Day as the 12th paid holiday and Presidents Day as the 13th paid holiday. 	<ul style="list-style-type: none"> • Same as FY 1998 	<ul style="list-style-type: none"> • Same as FY 1998

COLLECTIVE BARGAINING UNIT OPENING OFFERS (CONTINUED)

<u>Bargaining Unit</u>	<u>FY 1998</u>	<u>FY 1999</u>		
	<u>Wages</u>	<u>Benefits</u>	<u>Wages</u>	<u>Benefits</u>
Iowa United Professionals (IUP)	<ul style="list-style-type: none"> • 6.5% across-the-board increase. • Steps for eligible employees. • 5.0% increase for employees at the top step of range. 	<ul style="list-style-type: none"> • State pays the entire increased cost for Blue Cross Plan 3 (equal amount for other plans). • Reductions in insurance costs are deducted from the employee share. 	<ul style="list-style-type: none"> • Same as FY 1998, except the 5.0% increase for employees at the top step of range is not applicable in FY 1999. 	<ul style="list-style-type: none"> • Same as FY 1998
United Faculty of Iowa (UFI)	<ul style="list-style-type: none"> • 5.08% across-the-board increase. • \$754 incremental increase added to base pay. • \$1,371 individual adjustment distributed by the Board of Regents. 	<ul style="list-style-type: none"> • Increase the State share of family health coverage from 75.0% to 80.0%. • Addition of optical insurance. Premium for individuals would be 100.0% State-covered. The State would make a contribution equal to individual coverage for families. • Free tuition for tenured and probationary faculty, spouses, or dependents at any Board of Regents university. 	<ul style="list-style-type: none"> • 5.08% across-the-board increase. • \$826 incremental increase added to base pay. • \$1,501 individual adjustment distributed by the Board of Regents. 	<ul style="list-style-type: none"> • Same as FY 1998

COLLECTIVE BARGAINING UNIT OPENING OFFERS (CONTINUED)

Bargaining Unit	FY 1998		FY 1999	
	Wages	Benefits	Wages	Benefits
State Police Officers Council (SPOC)	<ul style="list-style-type: none"> • 3.0% increase for employees on step one and a 9.0% increase for employees at top step of range. Steps between top and bottom step would be recalculated to maintain an equal difference between the steps. • Step increases for eligible individuals. 	<ul style="list-style-type: none"> • Employer would pay 90.0% of family health insurance premiums. • Additional life insurance coverage based on salary up to \$55,000 of coverage. • Increased clothing allowance for Troopers and employees of Department of Natural Resources. • Longevity pay for all Public Safety peace officers. 	<ul style="list-style-type: none"> • Same as FY 1998 	<ul style="list-style-type: none"> • Same as FY 1998
Campaign to Organize Graduate Students (COGS)	<ul style="list-style-type: none"> • \$818.33 general increase for the academic year, \$1,000 increase for fiscal year appointment (approximately 6.0% increase for median classification). 	<ul style="list-style-type: none"> • Full cost of health insurance for union member, 85.0% of cost of spouse, domestic partner, or dependents. • Waiver of tuition for union member for any term which the member worked. • University contribution of \$0.20 per hour up to \$17.20 per month towards a child care fund. 	<ul style="list-style-type: none"> • \$838.75 general increase for the academic year, \$1,025 increase for fiscal year appointment (approximately 6.0% increase for median classification). 	<ul style="list-style-type: none"> • Same as FY 1998

MAJOR TAX CONSIDERATIONS AND AID TO LOCAL GOVERNMENTS

Criteria For Evaluation

Several policy options relating to various taxes have been proposed by members of the General Assembly. The following are eight criteria that can help shape and explain any plan that may be under consideration. Although most of the examples relate to the individual income tax, the criteria can be utilized in the development of any proposed change to the State and local tax system.

- **Simplification** - This concept applies to both the State and the taxpayers; that is, initiating changes that ease administrative burdens on the State and also ease compliance efforts on the part of the taxpayers. Options relating to the individual income tax include:
 - Coupling the federal tax code, which could be done either in the form of piggy-backing (taxpayers pay a percentage of their federal tax); or coupling federal taxable income (the State would use the federal definition of "taxable income" and apply new rates and brackets).
 - Initiating a flat tax, which may involve starting with federal adjusted gross income (AGI). Typically, complexity relating to the definition of "taxable income" is substantially more difficult to comply with and administer than complexity relating to rates and brackets. Thus, the General Assembly may wish to utilize a simple definition of taxable income (such as AGI) and apply a new set of brackets and rates.
 - Virtually anything the State does to increase the extent to which Iowa tax law couples federal tax law will render the system simpler, although doing so may have undesirable consequences relating to the other criteria.
- **Equity** - The concept of equity implies that "equals" should be treated similarly and "unequals" may need to be treated dissimilarly. This concept relates more specifically to how similar individuals in different income classes are taxed; and how dissimilar individuals within the same income class are taxed. The General Assembly may wish to consider specific tax policy related to this issue. Income tax examples that might fall into this area of consideration include: the standard deduction, earned income tax credit, rate structure, dependent exemption, pension taxation, and the tuition/textbook credit. However, almost any change to current income tax law will have equity ramifications.

- **Competitiveness** - It is not known to what extent, if any, the Iowa individual income tax encourages individuals and businesses to migrate into or out of the State. Cross-state comparison analysis has shown that the variance in actual income tax liability is probably too small to have a significant impact. However, if the top rate (rather than actual tax) is resulting in the perception that the Iowa individual income tax is out of line with other states, the General Assembly may wish to consider lowering the rate. The rate could be lowered either in a manner that is revenue neutral or in a manner that results in revenue loss. The options under the simplification section would all have the effect of reducing the top marginal rate.
- **Revenue Stability/Responsiveness** - The General Assembly may wish to consider actions that could be taken to maintain or improve the stability or responsiveness of individual income tax revenues. An example includes reviewing the effects of the deduction for federal income taxes paid. Specifically, when the federal government increases taxes, federal deductibility results in a decrease in Iowa tax revenues. Conversely, when the federal government decreases taxes, Iowa taxpayers receive a smaller reduction than taxpayers in states without federal deductibility due to the fact that State income taxes increase.

Stability and responsiveness, however, are often mutually exclusive. A stable tax system is one that maintains consistent revenue streams throughout the business cycle, so that recessions don't result in shortfalls, and expansions don't result in unnecessary surpluses. Responsiveness to the business cycle can be beneficial when strong economic expansion increases government revenues so that increased demand for government services is satisfied. Thus highly responsive systems tend to be unstable, and highly stable systems tend to be unresponsive. The purpose of a broad-based multi-tax system can help to balance these two competing goals, such that economic expansions provide sufficient growth in revenues, but contractions do not result in budgetary shortfalls. However, such a system may add complexity.

- **Neutrality** - Neutrality relates to economic efficiency. Changes in tax policy should not cause undue interference in the economic decisions of individuals and businesses. In other words, the administration of the tax should not inadvertently affect the decisions that individuals make with respect to buying or producing a given mix of goods and services.

Exceptions arise when markets function poorly. The State can either tax or regulate an industry so that the true costs of the product are reflected in the price. A good example is taxing (or regulating) emissions from a smokestack. This will result in an increase in price and a decrease in sales of the item being produced. However, in this case, the tax adds efficiency because neighbors of the smokestack no longer are required to bear the cost of the pollution.

In general, however, neutral tax policy will maximize the output of the State economy and produce the most goods and services at the least price.

- **Exportability** - Exportability relates to shifting the tax burden to other states. All things being equal, any state would prefer to export tax burden to residents of other states. However, this often results in competitiveness problems. In some ways, state tax deductibility affects exportability. When Iowa increases income taxes, the burden is shifted to the federal government, because State taxes are an itemized deduction. When Iowa decreases income taxes, the State revenue loss exceeds taxpayer gains for the same reason (tax burden is imported).
- **Revenue Adequacy** - Revenue adequacy of the tax system relates more to the tax system as a whole, but the income tax is the largest contributor. This criteria emphasizes the importance of overall State fiscal policy so that tax reductions are viewed within the context of the appropriations process.
- **Accountability** - Accountability relates to the extent to which a tax system is transparent, so that tax increases and tax decreases are the result of direct government action rather than an automatic process. Accountability also refers to the portions of the tax system that are formula driven and thus subject to little or no legislative oversight, such as open-ended exemptions or deductions that may have the effect of eroding the tax base.

For example, during the 1996 Legislative Session, the General Assembly improved the accountability (transparency) of the individual income tax by approving full indexation of the tax brackets. Prior to indexing, an individual's tax liability could increase with wage inflation, even though the purchasing power of the individual's wages did not change. This process is often referred to as "bracket creep."

Income Tax Rate Reduction

- The Governor is recommending that the State individual income tax rates be reduced 5.0% in tax year 1997, and an additional 5.0% in tax year 1998.
- The Governor is recommending that the rates be reduced an additional amount up to 15.0% in tax year 1999 and subsequent years. The actual amount would depend on the degree to which actual General Fund revenues exceed estimated General Fund revenues. Thus, if the Revenue Estimating Conference (REC) underestimates General Fund revenues, an additional rate cut would be enacted, but if the REC overestimates General Fund revenues, an additional rate cut would not be enacted.
- Withholding taxes would be reduced 10.0% on July 1, 1997, such that the 5.0% tax year 1997 impact can be compressed into the last six months of the tax year.



- The Governor is estimating the income tax rate reduction will result in a decrease in revenues to the General Fund of approximately \$196.0 million in FY 1998 and \$201.2 million in FY 1999, estimated on an accrual basis.

Inheritance Tax

- The Iowa inheritance tax is levied on the beneficiaries of Iowa estates.
- Inheritance tax receipts are estimated to generate \$108.0 million in General Fund revenues in FY 1997. Of this amount, approximately 16.0% is due to a state death tax credit, or federal "pick-up." (A discussion of the federal pick-up and other inheritance tax features is available in a Legislative Fiscal Bureau (LFB) *Issue Review* entitled, "Inheritance Tax and Elderly Migration.")
- Assuming the pick-up were left intact, an outright repeal of the inheritance tax (effective July 1, 1997) would result in a decrease in revenues to the General Fund of approximately \$37.8 million in FY 1998 and \$90.7 million in FY 1999 and subsequent years. Other alternatives include:
 - Expanding the definition of "children" to include step-children. Under current law, step-children are allowed an exclusion of \$12,500, and pay a higher rate once taxable inheritance is determined. This would lead to a decrease in revenues to the General Fund of an amount less than \$1.0 million annually.
 - Increasing the amount that may be excluded from taxable inheritance. Increasing the exclusion for children to \$200,000 (currently \$50,000) and increasing the exemption for parents and grandchildren to \$50,000 (currently \$15,000) would result in a decrease in revenues to the General Fund of approximately \$14.3 million in FY 1998 and \$34.5 million in FY 1999 and subsequent fiscal years, assuming the change becomes effective July 1, 1997. This alternative was approved by the Senate during the 1996 Legislative Session.
 - Provide a full exemption from taxable inheritance for children, stepchildren, grandchildren, and parents. This option would result in a decrease in revenues to the General Fund of approximately \$18.2 million in FY 1998 and \$43.7 million in FY 1999 and subsequent fiscal years, assuming the change becomes effective July 1, 1997. This alternative was approved by the House during the 1996 Legislative Session.
- The Governor is recommending that a full exemption from taxable inheritance be extended to children, grandchildren, and parents. These expenditures will result in a decrease in revenues to the General Fund of approximately \$18.2 million in FY 1998 and \$45.4 million in FY 1999 and subsequent years. The

Governor is recommending that the exemption apply to deaths that occur on or after July 1, 1997.

Subchapter S Corporations

- As part of the Property and Income Tax Reduction Act (SF 2449) passed during the 1996 Legislative Session, certain subchapter S corporations are given the option of apportioning income based on sales within the State.
- The option is allowed only for "value-added" subchapter S corporations.
- The tax reduction is paid in the form of a credit from the individual income tax refunds account. Credits will be prorated to the extent that aggregate claims exceed \$5.0 million.
- Claims for tax year 1996 will be paid in FY 1998.

The General Assembly may wish to consider the following alternatives to current law:

- **Remove the Aggregate Limitation** - This option would entail maintaining current value-added eligibility requirements, but removing the \$5.0 million aggregate limitation. This option would create an environment in which the tax reduction could be taken on the taxpayer's return in the form of either a larger refund or a smaller return payment. This would accelerate the impact to the General Fund, such that claims for tax year 1996 may be incurred in FY 1997. If current law is maintained for tax year 1996 claims, the acceleration would be realized in FY 1998, when both tax year 1996 and 1997 claims would be paid. The result would be a one-time decrease in revenues to the General Fund of approximately \$5.0 million in FY 1998. However, the change would increase the maximum exposure the State could face with respect to the fiscal impact of this alternative.
- **Remove "Value-Added" Requirement** - Under current law, only companies which receive more than half of gross receipts from activity in the construction or manufacturing sectors are eligible for preferential tax treatment. The General Assembly may wish to consider removing this eligibility requirement. This action would result in an estimated increase in claims of \$5.0 million, for a total aggregate claim of \$10.0 million. The actual amount of claims, however, may fluctuate significantly from year to year. If a \$10.0 million cap is used to replace the current \$5.0 million cap, the result would be a decrease in revenues to the General Fund of approximately \$5.0 million in FY 1999 and subsequent fiscal years, assuming current law would still be applied to tax year 1996.

- Repeal Eligibility Limitation and Claim Limitation** - This alternative is a combination of the first two. The benefit would be open to all subchapter S corporations, and claims would be reflected and paid on each taxpayer's return. If current law is maintained for tax year 1996, the result would be a decrease in revenues to the General Fund of approximately \$10.0 million in FY 1998, and \$5.0 million in each subsequent year. If the provision were made retroactive to tax year 1996, the result would be a decrease in revenues to the General Fund of as much as \$10.0 million in FY 1997 and \$5.0 million in FY 1998 and each subsequent fiscal year. Actual claims may fluctuate significantly from current estimates.
- The Governor is recommending that the eligibility and claim limitations be repealed effective for tax years beginning January 1, 1998. The Governor is estimating the change will result in a decrease in revenues to the General Fund of \$8.0 million in FY 1999, and \$3.0 million in subsequent fiscal years. There may be additional impacts in FY 1998 if affected taxpayers respond by shifting tax year 1997 income into tax year 1998. Currently, there is no estimate for the effect of this behavioral response.



Property Tax Relief

Major property tax relief programs have been created since FY 1996. Table 1 summarizes the property tax relief expenditures and projects the cost of each program until FY 2002. Below is a description of each program.

Table 1
Projected State Funded Property Tax Relief
 (Dollars in Millions)

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Machinery and Equipment	\$ 0.0	\$ 7.0	\$ 12.5	\$ 18.5	\$ 24.0	\$ 45.2	\$ 27.4
Property Tax Relief Fund*	54.4	71.4	88.4	88.4	88.4	88.4	88.4
School Foundation Level	0.0	84.8	88.0	92.4	95.4	98.6	101.3
Total	<u>\$ 54.4</u>	<u>\$ 163.2</u>	<u>\$ 188.9</u>	<u>\$ 199.3</u>	<u>\$ 207.8</u>	<u>\$ 232.2</u>	<u>\$ 217.1</u>

*Net after \$6.6 million allocation for mentally retarded children.

Machinery and Equipment (M&E)

- The property tax on new M&E was repealed during the 1995 Legislative Session (SF 69), retroactive to all M&E purchases made since January 1, 1994.
- The taxable value of M&E purchased prior to January 1, 1994, is being phased out over a four-year period beginning in FY 2001, such that the taxable value on all M&E will be zero beginning in FY 2004.
- Local governments receive reimbursement for the difference between the base year (FY 1996) M&E valuation and actual valuation for each year through FY 2001. For FY 2002 through FY 2006, the State reimbursement will be reduced to the extent that commercial and industrial valuation have grown since FY 1996. There will be no State reimbursement in FY 2007 and subsequent fiscal years. Reimbursements will be paid from a standing unlimited appropriation to the M&E Property Tax Replacement Fund.

Property Tax Relief Fund (Mental Health)

- The Property Tax Relief Fund was created by SF 69 (Property and Income Tax Reduction Act) during the 1995 Legislative Session.
- A standing limited appropriation was established. The appropriation amounts are: \$61.0 million in FY 1996, \$78.0 million in FY 1997, and \$95.0 million in FY 1998 and subsequent fiscal years. These amounts include the State appropriation for services for mentally retarded children, estimated to be approximately \$6.6 million annually (the figures in **Table 1** do not reflect the \$6.6 million appropriation). The amounts shown in **Table 1** are all converted directly into property tax reductions.
- Mental health funding in each county is limited to a base year amount. Each county may choose FY 1994, FY 1995, or FY 1996, as the base year. As provided by law, the State-County Management Committee issued a recommendation for an inflation adjustment to the limitation. The Committee recommended that counties be prohibited from increasing spending by more than 10.1% in FY 1998 compared to the base year. This would raise base expenditures from the current level of \$213.3 million to \$234.8 million. The Governor and Legislature may choose whether or not to act on the Committee recommendation.
- The Governor is recommending that the appropriation for mental health be increased to adjust for inflation. The recommendation provides an inflation increase of \$6.2 million (2.9% of FY 1997 net expenditures) in FY 1998 and \$6.5 million (2.9% of estimated FY 1998 net expenditures) in FY 1999. This is in addition to the built-in \$17.0 million increase that will occur under current law.



School Districts

In the 1996 Legislative Session, the regular program foundation level was raised from 83.0% to 87.5%. Raising the foundation level increased state aid and reduced property taxes for local school districts by \$84.8 million in FY 1997. In general, school districts with the lowest taxable valuation received the biggest tax rate decrease.



The foundation level can be raised for future property tax decreases. Increasing the regular program foundation level by 1.0% would increase state aid and reduce property taxes by \$19.8 million. Increasing the special education foundation level by 1.0% would increase state aid and reduce property taxes by \$2.7 million. If the special education foundation was raised to the regular program foundation level of 87.5%, state aid would increase and property taxes would decrease by \$26.3 million. The foundation level for the regular program and special education could be equalized at approximately 86.3% without changing state aid or property taxes.

The Governor is recommending the following measures to assist local school districts in financing infrastructure needs:

- Allow local school districts to initiate and share in a local option tax on a 50/50 basis with cities and counties. If a local option tax is already in place, the school districts would receive 25.0% of the proceeds.
- Provide a State income tax exemption for general obligation bonds issued by local school districts for infrastructure purposes.

Property Tax Credits

Major property tax credits include the Homestead Tax Credit, Agricultural Land Tax Credit, Family Farm Tax Credit, Military Exemption, and various low-income elderly credits. The following table shows the amounts claimed by taxpayers and the amounts paid by the State, based on FY 1995 payments. For the Homestead, Military, and elderly credits, local governments pay the difference between the amount claimed and the State payment. For the agricultural credits, taxpayers receive pro-rated shares of the State payment.

Table 2
Local Government Claims and Payments
(Dollars in Millions)

FY 1996	Amount Claimed	Amount Paid by State	Additional Cost of Full State Funding
Homestead Credits	\$ 113.9	\$ 93.6	\$ 20.3
Ag. Land Credits	113.8	29.1	84.7
Family Farm Credits	45.5	10.0	35.5
Military Exemptions	2.8	2.8	0.0
Elderly/Disabled Credits	11.6	10.8	0.8
Total	\$ 287.7	\$ 146.3	\$ 141.4

Note: Totals may not add due to rounding.

The Governor is recommending the following proposals with respect to property tax credits.



Homestead Tax Credit

- The Governor is recommending an increase in the base valuation used to calculate the Homestead Property Tax Credit. Under current law, a credit equal to the tax rate times the first \$4,850 of taxable valuation is available to homeowners. The Governor is recommending increasing this amount to the first \$5,700 of taxable valuation. The recommendation includes an increase in the State appropriation of \$20.0 million.
- The Governor is also recommending that the State pay all future increases in claims, but require local governments to permanently absorb the amount that is unfunded under current law (approximately \$20.0 million).

Extraordinary and Military Credits

- The Governor is recommending that the standing limited appropriations for the Elderly and Disabled Property Tax Credit and the Military Service Exemption become standing unlimited appropriations. The Governor has estimated that the result will be an increase in the appropriations for the two credits by \$1.2 million and \$0.1 million respectively in FY 1998 and FY 1999.

Agricultural Land Credits

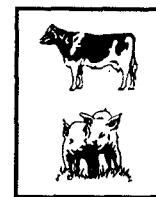
- The Governor is recommending that the \$10.0 million standing limited appropriation for the Family Farm Tax Credit be transferred to the standing limited appropriation for the Agricultural Land Tax Credit. Currently the standing limited appropriation for the Agricultural Land Tax Credit is \$29.1 million. Thus, the Family Farm Credit would be repealed and the

Agricultural Land Credit standing limited appropriation would be increased to \$39.1 million. The Governor is recommending that the change apply to tax years beginning January 1, 1998, such that the impact would not be realized until FY 2000.

- The Governor is recommending an additional increase of \$14.0 million in the Agricultural Land Credit, making the total appropriation \$53.1 million. The Governor is recommending that the change apply to tax years beginning January 1, 1998, such that the impact would not be realized until FY 2000.
- The changes in the agricultural credits will be used to offset the Governor's recommendation for a property tax exemption for farm buildings, which is described under the *Other Tax-related Governor Recommendations* section of this document.

Livestock Production Credit

The Livestock Production Credit was created as part of SF 2449 (Property and Income Tax Reduction Act). The Credit equals ten cents per corn equivalent consumed by livestock in a livestock operation. A corn equivalent is a bushel of corn or a nutritionally equivalent amount of other types of feed.



- There is a two-year lag between the tax year for which the Credit is taken and the fiscal year from which the Credit is paid by the State. Tax year 1996 credits will be paid from an appropriation in FY 1998.
- There is an FY 1998 standing limited appropriation of \$2.0 million to fund the Credit. Payments will be prorated to the extent that aggregate claims exceed the appropriation.
- For the first year, only cow-calf operations are eligible for the Credit. Beginning in tax year 1997 (claims paid in FY 1999), all livestock operations will be eligible for the Credit.

The following are among the options the General Assembly may wish to consider:

- **Maintain Current Law** - If no action is taken by the General Assembly, the Credit would be opened up to all livestock operations. The standing limited appropriation of \$2.0 million, however, would not change. The result would be that claimants, in the aggregate, would receive an estimated 5.7% of claimed credits. For FY 1998, \$2.0 million is estimated to be sufficient to fully fund credits claimed by cow-calf operations.
- **Extend Operation Limitation** - The General Assembly may wish to extend the FY 1998 cow-calf operation eligibility requirement into future years. The result would be that cow-calf operations would continue to receive full credit, and eligibility would not be opened up to other livestock operations.

- **Fully Fund Credits** - If current law eligibility requirements are left in place, claims for tax year 1997 credits (paid in FY 1999) will total approximately \$35.0 million. Increasing the standing limited appropriation to this amount would require an additional \$33.0 million in General Fund revenues. The General Assembly may wish to consider using a portion of the standing limited appropriations for the Agricultural Land Credit or the Family Farm Credit to fund all or a portion of the Livestock Production Tax Credit.

County Property Tax Limitation

The property tax limitation was first passed by the General Assembly during the 1992 Second Extraordinary Legislative Session. As currently applied, the property tax limitation prevents counties from levying more than was levied in the prior year. There are some exceptions to the limitation, such as an "unusual need" limited to the inflation of government purchases. Also, certain levies (for example, debt service and hospital levies) are exempt. Under current law, the limitation will be in effect through FY 1999.

An *Issue Review*, entitled "County Budgeting Under the Property Tax Limitation," provided by the LFB in January 1996, revealed that the county property tax limitation as currently applied may not be achieving the intended results. Specifically, some counties that are experiencing declining valuations have been increasing utilization of debt service levies, which are outside the reach of the limitation. For some counties that are experiencing tax base growth, the limitation's "ceiling" becomes a "floor". This occurs because the base year moves forward each year, such that a county that reduces tax levies will not be able to reverse the decision in future years. In other words, a county board of supervisors that reduces taxes will face a lower limitation in the following year. Consequently, counties in good fiscal positions are inadvertently encouraged to increase ending balances rather than reduce taxes.



The General Assembly may wish to consider the following policy options:

- **Allow the Limitation to Expire** - This is the status quo option. Absent new legislation the property tax limitation will no longer be in effect after the FY 1997 budget year. For some counties, this may result in significant county tax increases in FY 1999. The magnitude of these "spikes" or the number of counties likely to experience them is not currently known.
- **Extend the Limitation** - This would involve extending the current limitation to future budget years. Thus, exceptions notwithstanding, a county's property tax levy in FY 1999 would not be able to exceed the levy in FY 2000. This option would avoid spikes, but would also result in an extension of the effects described above.

- **Modify the Limitation**

- • The use of a fixed base year would remove an incentive counties currently have to maintain large ending fund balances. The General Assembly may also wish to consider replacing the process by which counties establish "unusual need" with a cumulative inflation index. This would have the effect of maintaining a levy ceiling, but would provide counties the flexibility to adjust budgets and tax levies within the constraints of the limitation.
- The General Assembly may wish to consider establishing a constraint on ending fund balances. Counties require generous balances for cash flow purposes due to the fact that the first property tax payment of a fiscal year is not received until September. At this time, the LFB has not determined a statewide "percent of budget" ending balance amount that would provide sufficient cash flow for all counties. It is unlikely the appropriate amount would exceed 35.0%.
- Neither of these modifications will address the problem of counties' increased use of debt service levies. The General Assembly may wish to consider reform in this area as well. The LFB has not developed a specific list of alternatives at this time.

- The Governor is recommending that the county property tax limitation be extended through FY 2000.

Other Tax-Related Governor Recommendations

- The Governor is recommending the elementary and secondary school tuition and textbook tax credit be doubled to 20.0% of the first \$1,000 spent for such purposes. This is expected to result in a decrease in revenues to the General Fund of \$1.5 million in FY 1998 and FY 1999.



- The Governor is recommending that the processing exemption list for machinery and equipment from sales tax be expanded to include additional items, such as quality and environmental control equipment. The Governor has estimated the proposal would result in a decrease in revenues to the General Fund of \$4.0 million in FY 1998 and FY 1999.

- The Governor is recommending that the first \$200,000 of the value of farm buildings be exempt from property taxes. The exemption would apply exclusively to owner-operators. The result would be a shift in tax burden from building owners to land owners. As indicated in the *Property Tax Credits* section of this document, the Governor is recommending that the agricultural land credits be increased by \$14.0 million to avoid the shift to land owners. The proposal would become effective for tax years beginning January 1, 1998, so there would be no impact until FY 2000.



- The Governor is recommending that the horsetrack debt-retirement tax credit be repealed. This is expected to result in an increase in gambling receipts of approximately \$0.4 million. However, due to the fact that gambling receipts to the General Fund are capped, there would be no General Fund impact. The increased resources would go to the Rebuild Iowa Infrastructure Fund under current law. The Governor is recommending that the resources be transferred to a newly created Technology Investment Account, which would receive all gambling revenues in excess of \$100.0 million.

Assistance To Local Governments

Table 3 summarizes General Fund assistance to local governments. General Fund expenditures for assistance to local governments have an average annual increase of 9.3% from FY 1987 to FY 1997. Other General Fund expenditures have an average annual increase of 8.0% from FY 1987 to FY 1997. Assistance to local governments was 60.8% of General Fund expenditures in FY 1987 and has grown to 62.3% of General Fund expenditures in FY 1997. Additional detail is available from the LFB.

Table 3
General Fund Assistance to Local Governments
(Dollars in Millions)

	FY 1987	Estimated FY 1997	Difference	Average Annual Percentage
Education	\$ 828.7	\$ 1,726.0	\$ 897.3	10.8%
Health and Human Services	261.4	544.3	282.9	10.8%
Transportation, Safety, and Defense	3.4	11.3	7.9	23.2%
Revenue and Finance Assistance	245.4	296.4	51.0	2.1%
Total Assistance to Local Governments	\$ 1,338.9	\$ 2,578.0	\$ 1,239.1	9.3%
Total General Fund Appropriations	\$ 2,203.3	\$ 4,134.8	\$ 1,931.5	8.8%
Local Assistance as a Percent of Total General Fund	60.8%	62.3%	64.2%	

COUNCIL ON HUMAN INVESTMENT AND BUDGETING FOR RESULTS

During the 1993 Legislative Session the General Assembly adopted SF 268 (Iowa Invests Program) which created the Iowa Council on Human Investment. The charge to the Council includes:

- Developing a long-term investment strategy that includes broad measurable policy goals and benchmarks with input from a cross-section of the population.
- Developing an investment budget and accounting model that provides a financial weighting of investments. The model shall be implemented on a pilot basis.
- Studying the potential for the State to appropriate funds according to the highest return on investment and making recommendations to the Governor and the General Assembly related to fully implementing the model developed for the pilot project.
- Developing and applying return on investment accounting standards.
- Advocating for regulatory and legislative initiatives to decategorize funding and reduce the number of regulations to improve investment.
- Educating the public, community agencies, and the General Assembly concerning investment principles and practices.
- Conducting customer satisfaction surveys of the users of public services to determine the effectiveness of public programs.

As part of the overall effort, the Council established a work group of Executive Branch budget and policy staff to formulate a process to be used in developing a results oriented performance budget. Staff of the Legislative Fiscal Bureau (LFB) participated in discussions of concepts and procedures as part of the oversight function of the Bureau.

Benchmarking

Initially, the Council worked to establish a set of statewide benchmarks. The Benchmarks are long-term measurable policy goals developed with input from Iowa citizens through a survey approach. The research team, comprised of faculty members from the University of Iowa, Iowa State University, and Drake University, working with staff of Executive Branch departments and public volunteers, developed a survey to identify benchmarks for Iowa government. The initial set of benchmarks dealt with the areas of:

- Strong Families
- Economic Development
- Workforce Development

Within each area, a set of state policy goals was generated based on input from a random sample survey of Iowans. A group of Executive Branch employees are formulating outcome-based performance measures for each policy goal and determining if data is available for the measures. Staff of the Council noted that when the measures are finalized they will be sent to the appropriate departments for data collection to establish a baseline for the goals.

Additionally, development of the second group of benchmarks and policy outcomes has begun. The areas being addressed are:

- Strong Communities
- Healthy Iowans

Strategic Planning

A related effort is the requirement that all departments complete and deliver a strategic plan to the DOM by February 1997. If the due date is met, the plans should be available for all Subcommittees to review during the 1997 Legislative Session.

In a normal planning cycle, a strategic planning effort would have followed the type of benchmarking effort undertaken in Iowa. Strategic planning establishes program goals, objectives, and performance measures for departments related to the implementation of the legislatively established policy direction. The performance measures developed to determine program effectiveness and operational efficiency would have been linked to State Policy Goals and Benchmarks where appropriate.

If the General Assembly determines that the goals and objectives developed in the strategic plans do not appropriately implement established policy, the General Assembly may redirect agency efforts toward the intended policy which was to be implemented.

What Is Budgeting For Results?

The goal of Budgeting for Results is to tie the appropriation of resources to the results expected from the expenditure. A budget is developed by defining the desired results of a program, establishing the cost of a unit of service necessary to achieve the desired results, and determining how many units of the desired results can be achieved with the resources budgeted. Resources are allocated on the basis of expectation of performance. Performance is then tracked and analyzed to determine progress toward meeting the desired outcomes and department directors are held accountable for the performance.

The current budgeting approach used in Iowa establishes a 75% base budget and requires justified decision packages (usually three) to return the budget to 100% of the prior year's level. Additional decision packages are used for any new requests. The focus of the current budgeting approach is on the budget unit, which can be a single program, a group of related programs, or part of a program depending on how the department chose to establish it.

Budgeting for Results uses a program or policy centered approach and identifies one or more specific performance measures that are attached to all requested funds. If a policy area or program covers more than one current budget unit or includes program efforts in other departments, the theory is that all funds from all sources would be grouped together to establish the total cost associated with the outcomes from all sources. This approach is intended to allow decision-makers to evaluate the impact of various service delivery strategies in Iowa and ultimately to select between packages of services based on outcome/impact and unit cost. However, the current accounting system will need to be modified to handle a cost center accounting approach that spans departments and enables appropriate oversight.

The work group's discussions and research of approaches taken in other states resulted in the development of a new budget request process and format. During the 1996 Legislative Session, the new format was used by seven Executive Branch agencies selecting a single area or program, except the Department of Economic Development which selected three areas for the pilot.

Initially, all departments except the Board of Regents were to participate in this second phase of the pilot project, however the DOM allowed other departments to withdraw. The participating departments for 1997 are:

- Department for the Blind
- Civil Rights Commission
- Department of Corrections
- Department of Economic Development
- Department of Education
- Department of Elder Affairs
- Governor's Alliance on Substance Abuse
- Department of Human Rights
- Department of Human Services
- Department of Inspections and Appeals
- Department of Management
- Department of Natural Resources
- Department of Public Health
- Department of Public Safety
- Department of Revenue and Finance
- Department of Workforce Development

The DOM has agreed that the new request format and process do not replace the current format and process, but are in addition to it. Additionally, DOM has agreed that all currently available information necessary for LFB budget analysis and oversight will remain available.

The forms developed for the pilot project do provide sources and amounts of funding, but present expenditures only as a cost per unit of service and number of units of service to be provided. No information on full-time equivalent positions associated with the funding requested is presented. Additionally, most departments chose to identify only one performance measure for each program. Normally programs have more than one outcome expected and, therefore, should have multiple measures.

The Council on Human Investment and the DOM plan to expand the number of departments and increase the scope of participation in departments currently involved. They expect to have all agencies and programs utilizing the new process within the next three years. During FY 1998, the DOM is planning to work with the Department of Revenue and Finance to incorporate the new format into the computerized budget request system.

The Governor's goal is to have all programs and agencies under his purview utilizing Budgeting for Results by FY 2000. Additionally, the Governor is recommending \$1.9 million from a Technology Investment Account to fund the needed changes to the State accounting system.

Potential Problems And Concerns

The issues surrounding the application of a Budgeting for Results approach include:

- Other States' Efforts
 - Oregon - Oregon will reassess its entire benchmarking process with the goal of reducing the number and improving the relevance and measurability of established benchmarks. Many of the state's current benchmarks have proven ineffective.
 - Texas - This year Texas will reconsider the performance measures it placed in appropriations bills to determine if the measures have been met. The state has not yet determined appropriate rewards or sanctions for meeting or not meeting the identified measures, but it will discuss the issue during the coming session.

The LFB will continue to monitor efforts in both states.

- Information Dynamics - The amount and types of information provided during budget decision-making will be greatly reduced if the new format is adopted and current forms are eliminated.

- Outcome Measurement Timeframe - The timeframe during which policy makers must wait to determine if a program is achieving the specified outcomes exceeds the election cycle. Experience in other states has shown that it may take two or three years to collect sufficient information to begin making an assessment of program outcomes and the outcomes of a program are often not known until five to ten years after the program activities occur.
- Defining "Program" - Is the University of Iowa a program, or the College of Liberal Arts, or the Department of History, or the Soviet Studies Program the appropriate level at which to define a program?
- Defining "Outcomes" - When a prisoner has been incarcerated and released, is the appropriate outcome the number of offenders who do not return to the system (rehabilitation), the number of years the criminal has been kept off the streets (punishment), or both?
- Defining Reliable Measures - It is often difficult to identify accurate and reliable outcome measures. The current budgeting system has included performance measures for several years. However, departments have neither utilized the existing system effectively, nor has the DOM required it.
- Performance Measure Revision - Performance measures may need to be revised if data is unavailable, too expensive to collect, or the measure is determined to be an invalid measure of the outcome. As this happens, the length of time between beginning measurement and determining program impacts continues to lengthen. Changing measures will also result in the need to recompile historical data to match the new measure.
- Lack of Historical Data - Historical data is often not available for outcome measures and, therefore, must be collected where possible, or collection must be started with no comparative historical data expected.
- Data Collection Costs - The cost of developing a new data collection system can be substantial and the benefits, in terms of a better product for the Executive Branch or Legislative Branch, may not be sufficient to justify those costs.
- Data Verification and Storage - It is essential that any system of data collection includes storage that allows independent verification of the data used to measure the outcomes.

The General Assembly may wish to consider the following alternatives:

- Rather than generating new forms for reporting performance measure information, require the DOM to have departments report the new results-oriented performance measures on the budget schedule currently available.

Additionally, outcome performance measures could be tied to the decision packages that departments create in requesting funding.

- Require that the current budgeting system be maintained until the departments, the Governor, and the General Assembly have had sufficient experience with the new process to ensure its adequacy for decision-making.
- Require all departments receiving General Fund appropriations to participate in the next phase of the pilot project and to select programs funded by the General Fund rather than from federal or other funds.
- Identify specific programs and departments of interest to the General Assembly, and require participation of those in the next phase of the pilot project.
- Require that the new budget forms be incorporated into the current set of budget forms as another schedule.
- Require that the General Assembly or the appropriations subcommittees review and approve all performance measures.

FEDERAL FUNDING ISSUES

Since 1990, the federal budget process has focused upon avoiding increases in the annual deficit by imposing targets for various types of discretionary spending and limiting statutory changes that would increase entitlement spending. The 104th Congress and the President agreed upon the need to eliminate the annual deficit,



but were unable to find common ground on priorities for spending and taxes. Continued efforts to reduce or eliminate the annual national deficit may have a significant effect upon the State budget.

Current estimates are that in State FY 1997, the State of Iowa will receive approximately \$2.359 billion in federal funding. This is an increase of \$90.5 million (3.9%) compared to actual FY 1996 receipts. Over \$1.115 billion of this amount (47.3%) will be received by the Department of Human Services, primarily for the Medical Assistance, Food Stamp, Employment Training, and Family Investment Programs. Other departments receiving large amounts of federal funds include:

- \$217.5 million for the Department of Transportation
- \$232.4 million for the Department of Education
- \$241.5 million for the Department of Economic Development
- \$251.9 million for the Board of Regents institutions

For State FY 1998, the State of Iowa expects to receive \$2.425 billion in federal funding. This would be an increase of \$66.0 million (2.8%) compared to estimated State FY 1997. Over \$1.224 billion (50.5%) of this amount will be received by the Department of Human Services. Other departments receiving large amounts of federal funds include:

- \$217.5 million for the Department of Transportation
- \$237.3 million for the Department of Education
- \$248.8 million for the Department of Economic Development
- \$253.2 million for the Board of Regents institutions

The estimated State FY 1998 figures are likely to change for a number of reasons. These include:

- The late passage of the final federal budget omnibus bill resulted in departments entering estimates into the State budget system prior to final

Congressional action on the Federal FY 1997 budget. As the departments obtain better information on the likely level of funding, they will update these estimates. For example, the Iowa Communications Network was notified in late December that they will receive \$10.0 million in federal funding for special projects. However, this amount has not been entered in the State budget and accounting system, as the actual contracts have not been signed.

- A number of closing adjustments to the State FY 1996 budget in relation to federal funds remain to be made. This could result in reversion of some unexpended federal funds and the transfer of some funds to State FY 1997.
- Several agencies, including the Departments of Human Services and Workforce Development, have requested federal funding to pay for a portion of the costs of the year 2000 computer problem. Whether the federal government will agree to pay all, some, or none of the requested amounts has not yet been determined.
- Rule changes in many federal programs will take time to be finalized and published, and those changes could impact the amount of funds that states will receive and the methods by which the available funds will be distributed.

The 105th Congress will undoubtedly continue to identify ways to reduce the national debt. However, some of the urgency appears to have dissipated due to increasing levels of revenues and the spending reductions the 104th Congress and the President enacted. According to articles in the Congressional Quarterly Weekly Report, the new Congress is likely to take a more moderate approach to change. It is likely that:


- An attempt to adopt a Constitutional Amendment to require a balanced budget will be an early priority.
- Welfare reform will be revisited, at least for technical corrections. (For a detailed analysis of the welfare reform legislation see the "Federal Welfare Reform Legislation" section in this report.)
- Workforce Development will again be a focus, in terms of reducing the number of specific programs and folding them into a block grant.
- Efforts to overhaul federal regulations will continue, although with a slower, more incremental approach than was favored in the 104th Congress.

FEDERAL WELFARE REFORM LEGISLATION

On August 22, 1996, President Clinton signed HR 3734, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PL 104-188). The following is a summary of the Act.



- **Individual Entitlement.** The Temporary Assistance to Needy Families (TANF) Program eliminates the individual entitlement under which the Aid to Families with Dependent Children (AFDC) Program has operated for approximately 60 years.
- **National Funding.** The TANF block grant is funded at a fixed amount of \$16.400 billion nationally and Iowa will receive \$130.1 million from the federal government annually over the next five years regardless of caseloads or costs.
- **Time Limitations on Assistance.** Recipients are required to work after two years of assistance and there is a five-year lifetime limit on benefits. The five-year time limitation on assistance applies nationally. Individuals would not be able to avoid time limitation by crossing state boundaries and applying for benefits in another state. Some type of national benefits clearinghouse would need to be set up to make this provision enforceable. Who would pay for this clearinghouse and how it would operate is not clear at this time.
- **Work Requirements.** Adults receiving assistance under the TANF Program are required to participate in work activities within 24 months of receiving assistance. If individuals are not working, they must be participating in community service within two months of receiving benefits. States may choose to "opt-out" of this requirement by affirmatively notifying the federal government.
- **Reduction/Elimination of Benefits for Legal Aliens.** Prior to HR 3734, only illegal immigrants were prohibited from receiving most federal benefits. Under HR 3734, legal immigrants are prohibited from receiving Supplemental Security Income (SSI) and Food Stamp benefits. Under the legislation, states have the option of denying or providing Medicaid benefits to legal immigrants who are already in the U.S., unless they currently receive Medicaid because of receipt of SSI benefits. If they currently receive Medicaid because of receipt of SSI benefits, in the future they will be denied Medicaid benefits. Generally, future immigrants will be prohibited from receiving Medicaid until they become U.S. citizens.

- **Reduction in Food Stamp Program.** The Food Stamp Program would continue as an entitlement, however, the maximum food stamp benefit would be 100.0% of the Thrifty Food Plan instead of the current 103.0%. Inflation adjustments in benefits would be limited (the standard deduction of \$134 per month currently indexed for inflation is fixed at \$134/month). The Food Stamp Program would continue in current form, and would not be converted to a block grant.
 - Benefits for able-bodied individuals between the ages of 18 and 50 would be limited to three months out of every three years, with the possibility of an additional three months during that time period.
 - Additional funding and flexibility for the Food Stamp Employment and Training Program has been provided in the legislation.
- **Eligibility Standards for Supplemental Security Income (SSI).** Eligibility for SSI would be tightened for low-income children seeking SSI due to disability.
 
 - Prior to HR 3734, low-income children were able to qualify for SSI benefits in one of two ways: the child was determined to have a specific medical impairment found on a listing of impairments; or the child was evaluated through an individual functional assessment and found to have an impairment not listed, but the impairment limited the child from performing age-appropriate behaviors. Under HR 3734, the second method for determining benefits is eliminated.
- **Consolidation of Child Care Funding.** Existing child care funding streams (Transitional Child Care, AFDC Work-Related Child Care, and the At-Risk Child Care Program) are consolidated into one child care block grant. Entitlement status for the existing funding streams is eliminated.
- **Reduction in Social Services Block Grant (SSBG) Funding.** The SSBG funds are reduced by 15.0% over current law for FY 1997. However, the FY 1996 SSBG funding was also reduced by 15.0%. The FY 1998 reduction is a continuation of the FY 1997 cut, and not an additional reduction.
- **Family Cap.** The legislation does not contain prohibitions on additional assistance for a family having another child while on public assistance. States may choose to "opt-in" to this requirement by passing legislation requiring family cap limitations.
- **Waiver Treatment.** States currently operating programs under waiver may terminate the waiver and be held harmless for accrued federal cost neutrality liabilities. Iowa's Family Investment Program (FIP) currently operates under a waiver of regulations from the federal government. The waiver allows states to deviate from AFDC regulations, within prescribed limits. States have 90

days following the conclusion of the state legislative session following federal enactment to terminate the existing waiver. This provision may be of significant benefit to Iowa which has operated under a waiver since October 1993, and may have accrued liabilities. This provision also allows the elimination of the control group which operated under the AFDC Program rules (approximately 4,000 cases).

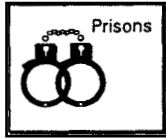
- **Maintenance of Effort.** States must continue to spend at least 75.0% of what was spent in FY 1994 (80.0% if not meeting work activity requirements).
- **Transfer Between Block Grants.** Funds may be transferred between the three block grants (TANF, SSBG, and Child Care Block Grant), up to 30.0% of the total.
- **Effective Date.** HR 3734 established an effective date of July 1, 1997, or earlier at state option for TANF. The child care provisions were effective October 1, 1996.

State of Iowa Impacts. The Welfare Reform Advisory Council, a group of advocates, legislators, DHS, county, and local officials, has recommended early adoption of federal welfare reform requirements and funding. The Advisory Council recommended on November 11, 1996, that Iowa submit the State Plan to federal officials on November 15, 1996. The five-year lifetime limit for individuals begins December 31, 1996. All clients regardless of their past receipt of benefits would have a five-year lifetime limitation on benefits. The primary reason for entering the Block Grant early is additional federal funding which would be received in FY 1997. Additional federal funding is estimated at approximately \$7.7 million in FY 1997 and \$24.1 million in FY 1998 by the DHS. However, controlling for additional State expenditures to offset lost federal funding, the net impact is additional federal funds of approximately \$6.0 million in FY 1998. Other than instituting the five-year lifetime limitation, the Advisory Council has recommended continuing the current welfare reform policies which Iowa had adopted in FY 1995. The Advisory Council made no recommendation for the use of the additional funding, stating that "the funding decisions should be made by the General Assembly."



PRISONS AND GROWTH IN THE PRISON POPULATION

Iowa's prison system will have nine major prison facilities during FY 1998. The Iowa State Penitentiary at Ft. Madison, the oldest Iowa prison, was constructed in 1839 and serves as the primary maximum security facility. The Anamosa and Mt.

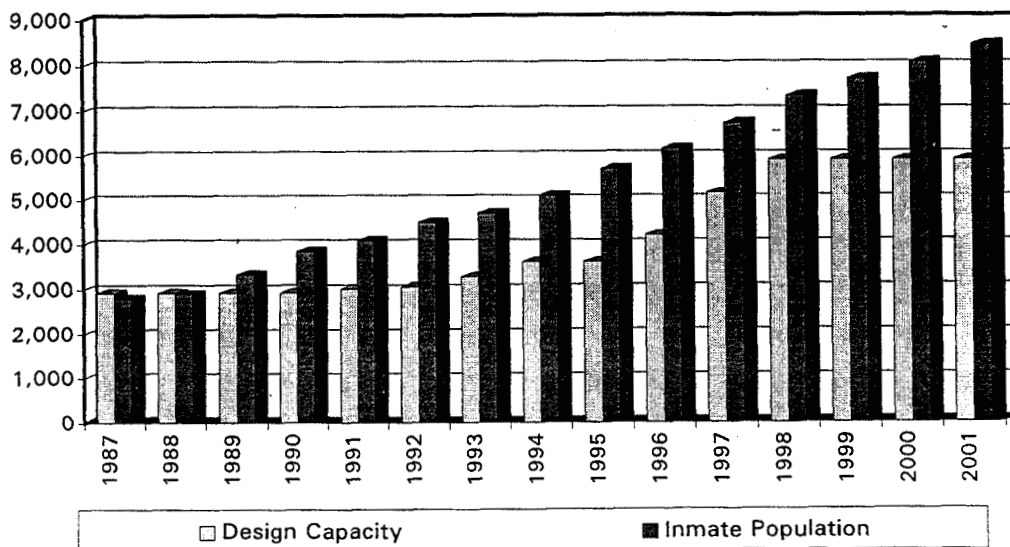


Pleasant facilities were constructed before 1900. The new prison at Clarinda is the first of three 750-bed medium security prisons to be built in this decade. It opened in April 1996. The second prison is under construction at Newton and is scheduled to open in July 1997.

A third prison is under construction at Ft. Dodge with a scheduled opening date of March 1998. In addition to the new prisons, the Department of Corrections will renovate and reopen a 200-bed maximum security cellhouse at Ft. Madison in FY 1997 if a court appeal is successful.

On November 1, 1996, there were 6,285 inmates in Iowa's prison system. Since July 1, 1987, the inmate population has increased by 115.4%. During the 1996 Legislative Session, the General Assembly passed and the Governor signed nine bills that affect the prison population. These legislative changes are projected to add 489 inmates to the prison system in FY 1998. By FY 2001, it is estimated that there will be an additional 864 inmates. One bill, which requires felons to serve a minimum of 85.0% of their sentences for certain forcible felonies, is projected to add 1,686 inmates to the system between FY 2001 and FY 2016. In the long-term, at least three 750-bed prisons will need to be added to accommodate the inmates added by the 1996 legislation. The following graph shows the projected growth in the inmate population for the next five years.

Prison Population Through July 2001



The prison system currently has a design capacity of 4,201 and is operating at 149.6% of design capacity. The addition of the Newton prison and renovated cellhouse at Ft. Madison will reduce overcrowding to 130.7% of design capacity at the end of FY 1997. Adding the Ft. Dodge prison will reduce overcrowding to 124.3% of design capacity at the end of FY 1998. With no other additions, the inmate population is projected to be 143.4% of design capacity at the end of FY 2001.

Issues and Considerations

- The following table shows the costs for the three new prisons and the Ft. Madison renovation.

Costs for the Three New 750-Bed Medium Security Prisons
(Dollars in Millions)

	Clarinda	Newton	Ft. Dodge	Ft. Madison Cellhouse 17	Total
Construction Cost	\$ 21.1	\$ 34.5	\$ 33.4	\$ 6.1	\$ 95.1
Annual Operating Cost	15.2	19.3	14.9	2.4	51.8
FY 1998 Bond Payment	1.9	3.1	3.1	NA	8.1
Total of All Payments	36.7	59.4	58.4	NA	154.5

Notes:

Annual operating costs for Newton include continued operation of the 221-bed minimum security facility.

Costs for Ft. Dodge are based on the FY 1999 budget request.

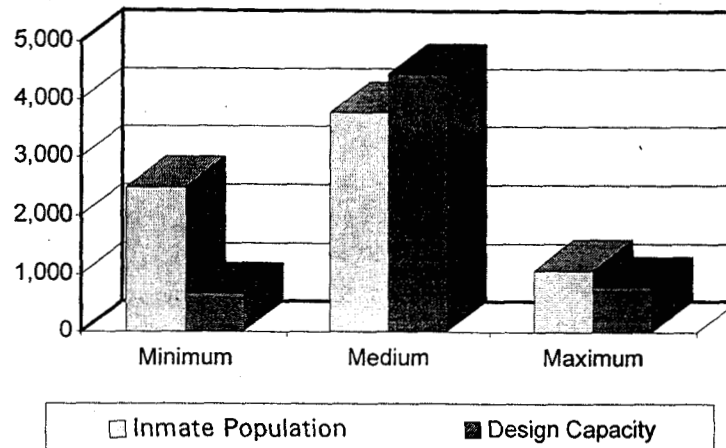
Bonds have not been issued for the Ft. Madison renovation, therefore the costs are not known.

- The Governor is recommending funding for local corrections infrastructure, including county jails, courthouse security, juvenile detention and runaway assessment facilities funded by a \$10 surcharge on criminal fines, a \$100 fine for underage gambling and drinking, and distributing 15.0% of the State fines to counties. The Governor projects \$10.0 million will be available from these sources.



- The following graph shows the projected prison inmate population for FY 1998 and the design capacity by security level.

**FY 1998 Design Capacity Compared to the
Estimated Inmate Population**



- The Governor is recommending \$75,000 to hire a consultant to aid in assessing the long-term potential for inmate population growth along the continuum of sanctions utilized by the correctional system.
- The prison system is projected to increase by an average of more than 450 inmates per year over the next five years. To keep pace with this growth, another prison similar to the Ft. Dodge facility will need to be built every two years.
- Prison operating costs far exceed construction costs over the life of a facility. For example, the new prison facility at Ft. Dodge is designed for more efficient staff utilization than Iowa's older prisons. The annual operating costs equal 44.6% of the construction costs, so the decision to build a prison is a commitment to fund costs greatly surpassing the construction costs.
- The Governor is recommending reinstating the death penalty for persons convicted of murdering a rape or kidnap victim, multiple murderers, and prison inmates who kill someone while serving life sentences or terms without parole.
- The Governor is recommending expanding work opportunities for inmates through development of private sector ventures within and adjacent to correctional facilities. The Governor is projecting 650 more jobs for prison inmates. These expanded work opportunities are the basis for the "Pay for Stay" Program in which inmates contribute an estimate \$511,000 annually toward incarceration costs. In addition, all inmates will be required to pay a flat \$5 monthly fee for an additional \$260,000 in "Pay for Stay" contributions.

DEPARTMENT OF TECHNOLOGY

During the 1996 Interim, the Department of Management and the Governor introduced the concept of forming a single department to consolidate all of the State's information technology services. The proposed Department of Technology will consist of two divisions: Information Technology Services and the Iowa Communications Network (ICN). The two divisions will share administrative functions such as finance and accounting but will otherwise operate as separate entities. The Director of Information Technology Services will report directly to the Governor and the ICN staff will continue to report to the Iowa Telecommunications and Technology Commission.

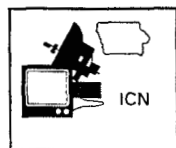
During the 1997 Legislative Session, the General Assembly will be asked to formally create the Department of Technology beginning July 1, 1997. Information Technology Services will be requesting authority to create a revolving fund to fund the delivery of information technology services starting in FY 1999.

Until the Department is authorized by the General Assembly, the Information Technology Services Enterprise has been established through the use of sharing (28D and 28E) agreements. The Enterprise has administratively consolidated the following three data centers:

- Department of General Services
- Department of Transportation
- Department of Workforce Development

Prior to this consolidation, the Department of General Services provided mainframe processing services to many of the agencies of the executive branch, while the Departments of Transportation and Workforce Development provided services solely to their respective agencies. The Information Technology Services Enterprise has absorbed staff and funding of the Information Services Division of the Department of General Services. The ICN has absorbed staff related to communications functions of the Department of General Services.

IOWA COMMUNICATIONS NETWORK



The Iowa Communications Network (ICN) was created by the 1989 General Assembly as a fiber optic "highway" capable of carrying all forms of communications traffic including voice, distance education, telemedicine, government information and services, and computer network data. Fiber optic technology converts voice, video, and data signals into digital light impulses which are transmitted over hair-thin glass fibers.

The installation of the ICN began in 1991 as a three-part project:

- Part I consists of 20 connection sites. These include 15 regional centers located at each of the community colleges throughout the State, the three Regents universities, Iowa Public Television, and the State Capitol Complex.
- Part II consists of 84 connection sites. These include separate fiber optic lines from the respective regional center to each of the remaining counties. These sites are typically known as the County Points of Presence.
- Part III as proposed will involve the connection of at least 474 additional sites in Fiscal Years 1996 to 1999 with approximate costs as follows:
 - FY 1996 - 102 sites at \$18.5 million. A total of 95 sites were connected during FY 1996.
 - FY 1997 - 131 sites at \$20.8 million. The Commission anticipates that more than 131 sites will be connected during FY 1997.
 - FY 1998 - 117 sites at \$21.5 million.
 - FY 1999 - 124 sites at \$20.0 million.

Parts I and II of the ICN were completed at a cost of \$114.5 million which was funded by Certificates of Participation. Parts I and II are typically referred to as the "backbone" of the Network and the connections are owned by the State. Part III connections will be constructed by private vendors and most will be leased by the State, except for certain sites (approximately 21) that will be owned by the State as the result of a National Guard ICN project. The majority of the Part III sites will be K-12 schools. Seven libraries will be connected as part of a pilot project in Fiscal Years 1996 through 1998, but remaining library connections (approximately 80) will be postponed to FY 1999.

Authorized users of the network include the Iowa National Guard, Iowa Public Television, libraries, State government agencies, community colleges, Regents institutions, private colleges and universities, all local school districts, area education agencies, hospitals and physician clinics, federal agencies, Iowa judicial and corrections systems, and the United States Postal Service.

The ICN is governed by the Iowa Telecommunications and Technology Commission. The Commission has five voting members and the State Auditor serves as an ex-officio nonvoting member.

During FY 1997, the Commission received estimated General Fund appropriations of \$17.1 million for video rate subsidization, debt service, and educational support. The Commission also received an estimated total of \$20.8 million in appropriations from the Rebuild Iowa Infrastructure Fund to connect a minimum of 110 sites for the second year of a four-year implementation plan for Part III.

In FY 1998, the Commission is requesting the following appropriations from the General Fund:

- \$2.4 million to subsidize video rates for certain users.
- \$12.8 million to fund net debt service for Parts I and II.
- \$3.2 million to be transferred to Iowa Public Television for scheduling and support of education sites.
- \$4.0 million to implement an equipment replacement fund and update technology.

The Commission is also requesting \$24.1 million from the Rebuild Iowa Infrastructure Fund. The request includes:

- \$22.6 million for the third year of Part III implementation to connect a minimum of 110 sites during FY 1998.
- \$1.5 million for costs to locate and relocate fiber lines.

The Governor is recommending the following appropriations for the ICN for FY 1998:

- \$3.4 million to subsidize video rates.
- \$12.5 million to fund net debt service for Parts I and II.
- \$2.2 million to be transferred to Iowa Public Television for scheduling and support of education sites.



In addition, the Governor is recommending \$22.6 million from the Rebuild Iowa Infrastructure Fund for the third year of Part III implementation to connect a minimum of 110 sites.

INFORMATION TECHNOLOGY SERVICES

The Information Technology Services (ITS) Enterprise is a new agency to be formed through sharing agreements with the Departments of General Services, Transportation, Workforce Development, and the ICN. Fiscal Year 1998 will be a transitional year for the Information Technology Services Enterprise and its customers. The agency will begin the year with status quo funding as follows:

1. A General Fund appropriation request equal to the appropriation received by the Information Services Division of the Department of General Services. The appropriation will be used to provide services to customers that typically did not remit payment for services in the past.
2. The agency will bill customers that have typically paid for services in the past.

3. The agency will bill the Departments of Transportation and Workforce Development in 12 equal monthly installments in the amount of the proposed budgets for their data center operations.

During FY 1998, the Information Technology Services Enterprise will implement a "service credits" billing procedure for its customers. In FY 1999, Information Technology Services will convert to a revolving fund concept and all agencies that receive services will be billed for the services used. Information Technology Services will use the receipts for operations.

For FY 1998, the Information Technology Services Enterprise is requesting the following General Fund appropriations:

- \$4.9 million for operations. This is not new funding, but a transfer of the funding from the Information Services Division of the Department of General Services.
- \$10.0 million for costs associated with converting all State data processing programs and functions to be compatible with the year 2000.

The Governor is recommending a General Fund appropriation to the Enterprise of \$4.8 million for FY 1998 to provide operating funds and accomplish consolidation of data processing functions of the Departments of General Services, Workforce Development, and Transportation.

The Governor is also recommending the creation of a Technology Investment Account for FY 1998. Included in the recommended \$24.4 million in appropriations from the fund are:

- \$10.0 million to begin implementation of a plan to address the year 2000 data processing issue for all State data processing programs.
- \$245,000 for Internet access to the Information Technology Services Enterprise.
- \$400,000 for technology projects management for the Information Technology Services Enterprise.
- \$1.0 million for reengineering projects for the Information Technology Services Enterprise.
- \$150,000 for a study of Asynchronous Transfer Mode (ATM) technology for the ICN.
- \$350,000 for ICN connections for the Department of Corrections.
- \$700,000 for an Integrated Information System for the Department of Workforce Development.

- \$60,000 for an Interactive Services Pilot Project for the Department of Workforce Development.
- \$1.6 million for Child Support Recovery and Welfare Reform Changes for the Department of Human Services.
- \$286,000 for DNA profiling equipment for the Department of Public Safety.
- \$1.9 million for conversion of the radio system of the patrol from analog to digital for the Department of Public Safety.
- \$1.9 million for a State Accounting System Upgrade for the Department of Revenue and Finance.
- \$150,000 for a Radio Tower Conversion Study for Iowa Public Television.
- \$250,000 for Radio Tower Conversion Equipment for Iowa Public Television.
- \$100,000 for Electronic Data Interchange for the Department of Education.
- \$2.5 million for Community College Technology Needs for the Department of Education.
- \$2.5 million for Technology Needs for the Board of Regents Institutions.
- \$200,000 for a Preventative Maintenance System for the Department of Public Defense.
- \$75,000 for a Fire Arms Training System for the Iowa Law Enforcement Academy.
- \$47,000 for a Telephone Verification System for the Nursing Board.

EDUCATION STANDING APPROPRIATIONS

Iowa School Foundation Formula

The Iowa School Foundation Formula was created between 1970 and 1972, for the school year beginning July 1, 1972. The Formula is a student-driven financing mechanism that works to equalize revenues from state sources and property taxes. The Formula was revised in 1989 to equalize per pupil spending, provide an enrollment cushion (phantom students), increase property tax relief, and provide for increased local discretion. In 1992, further revisions to the Formula included eliminating advanced funding for increasing enrollment, eliminating the enrollment decline cushion (phantom students), and requiring the Governor and General Assembly to establish the allowable growth rate each year, which was previously established by the formula.



In the 1995 Legislative Session, the determination of allowable growth was changed again. The General Assembly will set allowable growth two years in advance within 30 days of the submission of the Governor's budget. The 1996 General Assembly set allowable growth for FY 1998 and FY 1999 at 3.5%. Under current law, the General Assembly will not have to set allowable growth until the 1998 Legislative Session for FY 2000.

The School Foundation Formula is based upon basic enrollment, a school district's regular program cost per pupil, state aid determined by a foundation level, and an amount generated by the uniform property tax levy. Other funding sources available to school districts on an optional basis in the general education fund area include talented and gifted programs, drop-out prevention programs, School Budget Review Committee authorizations, and the instructional support levy. Other optional funding sources available to districts in the general education fund area include the cash reserve levy, management levy, and enrichment levy.

Local school districts have a number of optional funding sources available to them for non-general education fund activities. The levies are used for building construction, building maintenance, equipment purchases, and certain operational expenditures. These include: debt service levy, schoolhouse property tax levy, physical plant and equipment levy, and educational and recreation levy.

Under current law, state aid is estimated to increase by \$69.4 million (4.7%) for FY 1998 compared to estimated FY 1997 (See Table 1). Property taxes are estimated to increase by \$25.7 million (3.1%) for FY 1998 compared to estimated FY 1997. The total controlled budget is estimated to increase \$94.1 million (4.1%) for FY 1998 compared to estimated FY 1997.

Table 1
FY 1998 State Aid Estimate
(Dollars in Millions)

FY 1997 State Aid		\$ 1,489.2
Allowable Growth (3.5%)	66.9	
Enrollment Increase	3.9	
Special Education Increase (Assumed)	9.2	
Sharing Incentives and Other	0.3	
Taxable Valuation Increase (Assumed)	-10.1	
M&E Valuation Reduction (Assumed)	-0.8	
Total FY 1998 Changes		<u>69.4</u>
Estimated FY 1998 State Aid		<u>\$ 1,558.5</u>

Note: May not total due to rounding.

The FY 1998 enrollment increased by 1,097 (0.2%) students compared to FY 1997. The enrollment for FY 1998 is taken on the third Friday of September, which was September 20, 1996. The increase is the smallest since 1989, which was the first year enrollments increased after 19 years of decline. Special Education weightings are assumed to increase by 5.5%. Supplemental weightings for sharing grew by 16.5% and supplemental weightings for Limited English Proficiency grew by 7.8%. Taxable valuations are assumed to increase by 2.25%. Reorganization incentives continue to lapse, and the majority of the incentives will be gone after FY 1998.

Special statutory provisions guarantee that a district's regular program cost and area education agency special education support will be at least as much as in the prior year (100.0% budget guarantee). This places the full amount of the budget guarantee on property taxes. Under current law, the regular program budget guarantee ended in FY 1997.

The Governor is recommending to increase state aid by \$69.7 million (4.7%) for FY 1998 compared to estimated FY 1997. The increase includes no changes from current law.



The Legislative Fiscal Bureau is estimating an increase of \$69.4 million. The difference is due to estimating technique.

lowA + Community High Schools

The Governor is recommending to create lowA + Community High Schools which will identify and then provide support to redesign a limited number of lowa high schools. One-time grants of \$150,000 to \$300,000 would be available from federal funds.

ACCESS Education Through Distance Learning

The Governor is recommending a \$50,000 supplemental appropriation for ACCESS Education. The funds will enable key stakeholders to develop guidelines and a framework to ensure greater access for all Iowans to the State's higher education resources by August 1997.

Commission on Educational Excellence for the 21st Century

The Governor is recommending a \$150,000 FY 1997 supplemental appropriation for the Commission on Educational Excellence for the 21st Century. The Commission will benchmark where the schools are presently. The Commission will also establish a roadmap and model for the future by September 1997.

Child Development

The Governor is recommending \$15.2 million for the Child Development standing appropriation which is an increase of \$650,000 compared to estimated FY 1997. The increase will expand programs to at-risk four-year-old children.

Local Infrastructure

The Governor is recommending the following measures to assist local districts in financing infrastructure needs:

- Allow local school districts to initiate and share in a local option tax on a 50/50 basis with cities and counties. If a local option tax is already in place, the school districts would receive 25.0% of the proceeds.
- Provide a State income tax exemption for general obligation bonds issued by local school districts for infrastructure purposes.

Educational Excellence

The Governor is recommending to increase teachers' minimum salary from \$18,000 to \$20,000. This is estimated to cost \$350,000. The cost will reduce the approximate \$490,000 transfer from Phase I to Phase III to \$140,000. The remaining \$140,000 will be used for a management information system at the Department of Education. In FY 1997, the transfer from Phase I to Phase III was used for the Geography Alliance (\$50,000), the Management Information System in the Department of Education (\$300,000), and the Iowa Math and Science Coalition (\$50,000). The Governor is recommending the Iowa Math and Science Coalition receive funding from the General Fund in FY 1998.



Technology/School Improvement Program

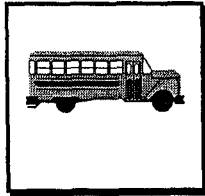
The Governor is recommending a \$30.0 million appropriation for the School Improvement Technology Program for the second year of this five year initiative which is an increase of \$15.0 million compared to estimated FY 1997. In FY 1997, \$15.0 million came from the Rebuild Iowa Infrastructure Account. This is a standing limited appropriation.

Area Education Agencies

The Governor is recommending that school districts be allowed to access Area Education Agency media and educational services from a contiguous Area Education Agency to take advantage of a wider range of services and to customize service delivery. Special education services would not be included.

Transportation For Nonpublic Students

The Governor is recommending an increase of \$300,000 for Transportation of Nonpublic Students to cover the estimated amount of claims by Iowa school districts. This is a standing unlimited appropriation.



PRIVATIZATION EFFORTS AND ISSUES IN IOWA

Over the past several years the Executive Branch has privatized several functions and is considering other functions for privatization. Both the number and total expenditures for contracts for personal services have also been increasing each year since FY 1992. Some of these outsource activities are related to privatization. Other reasons for outsourcing include agencies avoiding the Full-Time Equivalent (FTE) position limitation or filling temporary or "expert skill" positions.

Privatization

A broad definition of privatization is the transfer of service functions from public to private ownership or operation. The common privatization in Iowa State government is a situation where a State agency turns over to a private business an activity it formerly provided and had employed staff to conduct the activity.

Depending on the scope of the definition utilized, many activities of State government in Iowa have been privatized. Numerous agencies contract for services for which the requirement, funding, and authority are provided by the General Assembly. The Department of Economic Development hires consulting firms to prepare major advertising campaigns for tourism in Iowa. The Department could hire staff to develop the campaigns, but chooses to use companies that have particular skills in that area. At other times a program is a pilot project or of limited duration, and a department will contract for the service rather than hire an employee, knowing the individual would have to be laid off at the end of the project.

After a limited literature review of other states' experiences related to privatization, the following three themes were identified as relevant for consideration in State privatization efforts. A few examples of each category are provided below.

- Why privatize?
 - Inability to justify in-house staffing for specialized expertise or technical skills.
 - Need to provide faster, more accessible services to clients.
 - Greater responsiveness of the private sector to changing demands.
- Criteria for privatization.
 - Significant estimated cost savings.
 - Ability to specify the requirements of the service.

- Ability to switch from government to private provider without serious disruption of services.
- Costs of resuming government production if privatization option does not materialize as planned.
- Responsibilities after privatization.
 - Effective oversight, such as monitoring performance criteria.
 - Ability to determine if quality of service has been maintained.
 - Ability to ensure a smooth transition for program clientele.

Past Large Privatization Efforts

Recent large privatization efforts within Iowa include:

- College Student Aid Commission - Collections of Defaulted Student Loans
- Department of Commerce - Retail Liquor Stores
- Department of General Services - Printing
- Department of Human Services - Data Processing for Software Development
- Board of Regents - Farm Service
- Department of Revenue and Finance - Debt Collections
- Department of Transportation - Rest Area Maintenance
- Iowa Veterans Home - Food and Housekeeping Services

Privatization Efforts Under Consideration

Eight agencies are currently reviewing various functions for possible future privatization. Some of these functions are:

- Various components of Iowa's Information Technology System including data processing and computer management (hardware and software needs) across departments.
- Medical services at correctional facilities. (Effort was dropped during the 1996 Legislative Session after review and discussion with legislators.)
- Various functions in the Department of Economic Development.
- Workforce development in the Department of Employment Services.

- Sign language interpreters in the Department of Human Rights. (Not fully privatized, but transitional effort to encourage referral to private interpreters and establishment of the Interpretive Services Study Committee during the 1996 Interim.)
- Medical Services Administration in the Department of Human Services.
- Transportation, various food services, and occupational medicine at Regents institutions.
- Various functions in the Department of Transportation.

Personal Services Contracts

A personal services contract exists when a private entity agrees to provide a specified service for a State agency for a specified price. A personal services contract may be with a partnership, firm, or corporation, but in most cases is with an individual.



One reason often cited by agencies for establishing personal services contracts is to overcome the FTE position limitation established by the General Assembly and hiring limitations established by the Executive Branch. To avoid the restrictions placed upon agencies in hiring personnel, contracting has become a method of providing required services.

A Full-Time Equivalent Employee (FTE) is equal to 2,080 hours of work per year, calculated by multiplying 52 weeks/year by 40 hours/week. The FTE position count is the traditional method of determining the number of employees an agency is allowed in a fiscal year. The General Assembly appropriates a certain amount of money and a certain number of FTE positions to each agency each fiscal year.

The FTE positions listed in an appropriations bill are usually stated as a maximum number of employees an agency is allowed. Section 8.36A, Code of Iowa, specifies the number of filled positions may exceed the number of FTE positions during parts of the year to compensate for time periods when the number of filled positions is below the authorized level. Several issues related to the implementation of the FTE positions limitation by Executive Branch agencies are listed below:

- Currently there is no direct oversight to monitor compliance and enforce the limitation.
- There are no penalties for not meeting the target.
- The FTE positions limitation is not interpreted the same way by all agencies. The Department of Management has required agencies to not fill more positions than the number of FTE positions authorized, even though the Code

of Iowa would allow more positions at one time of the year if less positions are filled during other parts of the fiscal year.

- Only those funds directly appropriated by the General Assembly have the number of FTE positions stated in a bill. Non-appropriated FTE positions have no restrictions imposed by legislation.
- Many agencies simply employ outside services to avoid the FTE positions limitation restriction.

Reasons For Personal Services Contracting

The list below provides some of the major factors Iowa agencies cited in decisions to contract for services.

- Expertise or specialized skills are available only through contracting.
- Cost advantages.
- State, federal, or administrative law requires use of a private contractor.
- Short-time periods for special projects do not justify hiring a State employee.
- Inability to fill State positions due to a hiring freeze or the FTE position limitation.

Legal Restrictions Regarding Independent Contractor Status - Guidelines

While there are no specific rules related to privatization, there are guidelines that must be met for an entity to maintain independent contractor status. These are:

- An independent contractor cannot be an employee of the State.
- Employees working for the contractor can not be hired or fired by the State.
- Employees retain the right to strike.
- The State can not be involved in the daily operations of the contracted work. Day to day decisions must be made by the contractor.
- The contractor can not be physically located in State offices. Rational exceptions exist, for example if a State office is the site of the service.

Dollar Amount Of Personal Services Contracts

The costs of personal services contracts entered into in FY 1995 (1,840 contracts) and FY 1996 (1,895 contracts) totaled \$64.6 million and \$80.2 million respectively, exclusive of Board of



Regents and Department of Transportation contracts. The General Fund accounted for \$70.3 million of this amount.

(NOTE: The dollar amount of contracts is the total amount contracted for the life of the contract. If a contract is for five years, the total amount of the contract is entered into the data base in the year in which it is first signed.)

The departments that have the largest total dollar amount of contracts for FY 1996 General Funds are:

- Department of Human Services - \$27.5 million
- Department of Economic Development - \$5.9 million
- Department of Education - \$1.8 million
- Department of Corrections - \$1.7 million
- Department of Transportation (non-construction contracts) - \$1.1 million

Another measure of contracting activity is the total number of contracts let. For the FY 1995 and FY 1996 period, the Department of Human Services had the largest number of contracts with 1,636, and the Department of Education second with 575. However, over the same time period, the dollar volume of contracts let by the DHS totaled \$74.3 million, while Department of Education contracts totaled \$3.4 million.

Recent Governor's Action

The Governor recently began implementing a new plan to review and initiate the competitive delivery of governmental services. The Governor outlined this program in a May 16, 1996, letter to department directors. The program is to create an environment where public sector employees and private sector vendors will have an equal opportunity to bid on providing selected governmental services through a competitive bidding process. It is planned that technical assistance in the bidding process will be provided to groups of State employees wishing to bid on the services.

The premise of the program is that in addition to cost savings, the competition will spur innovation and improve productivity.

In June, the Department of Transportation implemented the bidding process in two statewide pilot projects:

- Application of Pavement Markings
- Sign Manufacture

In the competitive bidding process with the private sector, the State employees' proposal for pavement marking was selected. The State employees' proposal cost was about \$500,000 less than the closest private sector proposal. The DOT estimates that the annual savings compared to current costs will exceed \$300,000.

The bids have been received for the sign manufacture pilot project, but the determination has not yet been made as to which proposal will be selected.

The project was divided into two components:

- Highway Signs - five bids received
- Graphic Signing - eight bids received

It is expected that DOT will announce the winning bids by January 17, 1997.

Additionally, it is planned that in two years the provision of computer services will be placed in competitive bid. Currently, no other projects have been identified by the Department of Management or State agencies.

Alternatives

The General Assembly may wish to consider the following:

- Requiring the Executive Branch to provide information related to planned privatization of government services or activities for review and comment. This could be similar to the Administrative Rules Review Process, allowing for a period of comment and a delay in the implementation until the General Assembly has an opportunity to consider the impact of the proposal.
- Requiring a cost analysis of any proposed privatization effort prior to implementation to be presented to the Department of Management and the Legislative Fiscal Bureau for review and comment.
- Establishing a Joint Executive/Legislative Task Force that would review any proposals to privatize government services and activities.
- Establishing a review process for significant new personal services contracts, especially those replacing former or existing staff. This would provide for monitoring the elimination of FTE positions and staff being replaced by contracted services.

ISSUE

The LFB prepared an *Issue Review* entitled Privatization in Iowa Government. The *Review* provides additional details related to specific projects in Iowa and information from other states. A copy of the *Issue Review* is available upon request at the LFB office or by calling 281-5279.



YEAR 2000 COMPUTER COSTS

The year 2000 data processing issue dates back to the 1960s, when programmers wrote applications using a standard date format of DD/MM/YY to conserve then expensive storage space. When 2000 arrives, the "2000" will be read by computer systems as "00," potentially causing a complete system failure or producing incorrect calculations in time-sensitive programs.

An individual program is not very difficult to fix; date fields must be changed to four digits or a "work around" put in place. The task becomes complicated and costly when the number of lines of code written and the relationship of programs and data between systems is examined. Many government computers are interwoven electronically with those of other governments and the private sector.

The current efforts by State agencies are varied. Some have already fixed the problem and others are just starting to assess the problem. The following outlines the current status of the various entities of State government:

Courts - The Courts have already begun addressing the problem. They are expending \$70,000 during FY 1997 and are requesting another \$70,000 for FY 1998 to correct problems identified to be associated with the year 2000.

Legislative Branch - The Legislative Computer Support Bureau has done an initial assessment of the programs impacted by the year 2000 problem. The costs associated with the conversion have been identified as opportunity costs (i.e., something else will not be done). The impact is anticipated to be minimal and current staff will be used for the conversion process.

Regent Institutions - The Regent institutions have estimated the General Fund costs for year 2000 conversion of \$2.6 million.

Executive Branch (excluding Regents) - The Executive Branch has established a Year 2000 Project Office to coordinate the efforts. The preliminary General Fund request from the Information Technology Services Enterprise is \$10.0 million in FY 1998 and \$20.0 million in FY 1999. This is the initial estimate for the three executive branch data centers.



The Year 2000 Project Office will be refining the cost estimates. The Year 2000 Assessment Request for Proposal (RFP) has been issued by the Department of Human Services, Department of Revenue and Finance, and the Information Technology Services Enterprise. This assessment is to be completed by March 2, 1997, and is to include a comprehensive cost estimate to resolve the century date change problem.

The Governor is recommending \$30.0 million over three fiscal years to fix the Year 2000 problem. The following table shows the Governor's recommendation (dollars in millions):

<u>Fiscal Year</u>	<u>Funding Source</u>	<u>Amount</u>
FY 1997 Supplemental	General Fund	\$ 3.0
FY 1998	Technology Investment Account	10.0
FY 1999	Technology Investment Account	17.0
Total		<u>\$ 30.0</u>

ESTIMATED GENERAL FUND EXPENDITURE INCREASES AND DECREASES

A **built-in increase or decrease** is a standing appropriation as required by the Code of Iowa, an entitlement program, or a prior appropriation for a future fiscal year which increases or decreases compared to the prior year. An **anticipated increase or decrease** is an anticipated increase or decrease based on prior obligation or action. A built-in change in revenue is not included since the FY 1998 changes are included in the Revenue Estimating Conference's December estimate. Any built-in increases or decreases can be changed by enacted legislation.

The Legislative Fiscal Bureau (LFB) is projecting \$144.4 million General Fund built-in increases and decreases for FY 1998. The LFB is projecting \$31.5 million in anticipated increases or decreases for FY 1998. The following table summarizes the projected FY 1998 built-in increases and decreases and anticipated increases and decreases.

The Governor is recommending \$139.9 million for the following General Fund built-in increases and decreases and \$28.1 million for the following anticipated increases and decreases.



Projected FY 1998 Built-in and Anticipated Increases and Decreases

(Dollars in Millions)

	LFB Estimates	Governor's Recommend.	Difference
FY 1998 Built-in Increases and Decreases			
K-12 School Foundation Aid	\$ 69.4	\$ 69.7	\$ 0.3
Human Services - Medical Assistance	15.2	15.2	0.0
Property Tax Relief Fund	17.0	23.2	6.2
Technology/School Improvement	15.0	15.0	0.0
Natural Resources - Resource Enhancement and Protection (REAP) Standing	11.0	0.0	-11.0
Highway Patrol	9.0	9.0	0.0
M&E Property Tax Replacement Fund	5.5	5.5	0.0
Livestock Productivity Credit	2.0	2.0	0.0
Transportation for Nonpublic Students	0.3	0.3	0.0
Total Built-in Increases and Savings	\$ 144.4	\$ 139.9	\$ -4.5

**Projected FY 1998 Built-in and Anticipated Increases and Decreases
(Continued)**

(Dollars in Millions)

	LFB Estimates	Governor's Recommend.	Difference
FY 1997 Anticipated Increases and Savings			
Corrections - Various Projects	\$ 20.8	\$ 18.6	\$ -2.2
Misc. Transfers from the Infrastructure Account	5.0	5.0	0.0
Indigent Defense	4.3	3.3	-1.0
Regents - Tuition Replacement	1.0	0.8	-0.2
Regents - Opening New Buildings	0.4	0.4	0.0
Total Anticipated Increases and Savings	\$ 31.5	\$ 28.1	\$ -3.4
Grand Total	\$ 175.9	\$ 168.0	\$ -7.9

Appendix B describes the General Fund built-in expenditure increases or decreases and anticipated increases or decreases in detail by providing:

1. Type of appropriation.
 - A. Standing unlimited appropriation
 - B. Standing limited appropriation
 - C. Regular appropriation
2. Description of the program or budget unit.
3. Reasons for the increases or decreases.
4. Dollar amount of the increase under current law as projected by the LFB, in thousands.
5. Governor's recommended dollar amount of the increase, in thousands.
6. Description of the Governor's recommendation.
7. Dollar change from current law for each Governor's recommendation, in thousands.

OVERVIEW OF THE FY 1998 BUDGETS AND SUBCOMMITTEE ISSUES

The Overview of the FY 1998 Budgets and Subcommittee Issues Section is an analysis of the FY 1998 Governor's recommendations compared to estimated FY 1997 appropriations and a presentation of possible issues to be discussed by the individual appropriations subcommittees. When detailing the Governor's recommendations for FY 1998 compared to estimated FY 1997, capitals and unassigned standings are not included in the totals for the appropriations subcommittees. The capital recommendations are summarized in the Transportation, Infrastructure, and Capitals Appropriations Subcommittee Section.

Throughout the following sections, the Governor's budget recommendations are italicized when they are new recommendations or differ significantly from the departments' requests.



ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE

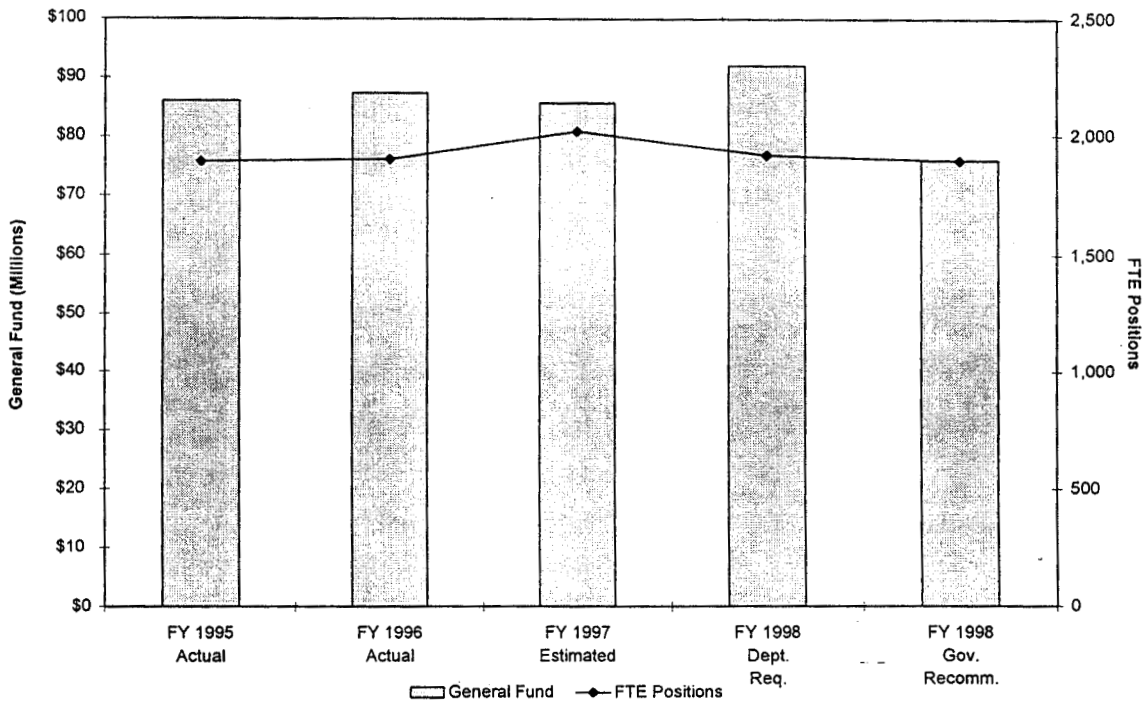
FY 1998 GOVERNOR'S RECOMMENDATIONS

The Governor is recommending \$75.9 million from the General Fund and 1,895.8 FTE positions for the 12 departments of the Administration and Regulation



Appropriations Subcommittee. This is a decrease of \$9.7 million (11.4%) and 125.4 (6.2%) FTE positions compared to estimated FY 1997. The following graph illustrates the history of General Fund appropriations and FTE positions.

Administration & Regulation Appropriations Subcommittee



Significant General Fund Changes Recommended

1. Department of Commerce

- A. *A decrease of \$31,000 and 0.5 FTE position to reduce the Department's reimbursement to the Auditor and to convert a full-time FTE position to half-time.*
- B. A decrease of \$25,000 due to a one-time FY 1997 appropriation for a Physician Utilization Study.

2. **Ethics and Campaign Disclosure Board** - An increase of \$24,000 to provide for implementation of electronic filing of campaign reports.

3. **Department of General Services**

- A. A decrease of \$4.7 million and 116.4 FTE positions to transfer personnel and support to the Information Technology Services (ITS) Enterprise.
- B. An increase of \$44,000 for projected increases in the cost of utilities.
- C. An increase of \$161,000 due to an FY 1997 supplemental request for increased utilities costs associated with extreme weather conditions.
- D. An increase of \$29,000 to cover the costs of new maintenance contracts for elevators, chillers, automated systems, and other systems resulting from the construction and renovation of several buildings on the Capitol Complex.
- E. An increase of \$50,000 to transfer funding for the Capitol Projects Manager position from the Rebuild Iowa Infrastructure Fund to the General Fund.
- F. *An increase of \$100,000 and 2.0 FTE positions to add staff and support for a Rebuild Iowa Infrastructure Board. The Board's duties will include managing and prioritizing the vertical infrastructure needs of the State.*
- G. *A decrease of \$43,000 and 1.0 FTE position to hire outside professionals to perform off-Capitol Complex leasing functions. The use of outside professionals is expected to reduce the expense of lease arrangements due to economies of scale.*

4. **Department of Inspections and Appeals**

- A. An increase of \$75,000 and 1.0 FTE position transferred from the Department of Economic Development to conduct affirmative action audits of Targeted Small Businesses.
- B. An increase of \$69,000 and 1.0 FTE position transferred from the Civil Rights Commission to conduct civil rights appeals.
- C. An increase of \$60,000 to pay rent expense for relocation of the Racing and Gaming Commission central office outside the Capitol Complex.
- D. *An increase of \$186,000 for pari-mutuel regulation due to the expanded horse racing season at Prairie Meadows.*
- E. An increase of \$20,000 to provide reimbursement to the Office of the Attorney General for licensing hearings and prosecution of violations by racetrack and riverboat licensees.
- F. A decrease of 6.0 FTE positions in the Health Facilities Division due to a decrease in federal funding.



5. Department of Management

- A. A decrease of \$85,000 and 1.0 FTE position to transfer the Information Management Director position to the Information Technology Services (ITS) Enterprise.
- B. *An increase of 1.0 FTE position for a Salary Model Administrator to monitor the State's salary system. The position will be funded through a transfer of salary adjustment appropriations from other departments to the Department of Management.*

6. Department of Personnel

- A. An increase of \$100,000 for the non-salary costs of the first phase of the reengineering project to improve the State's workforce selection system.
- B. *An increase of \$102,000 to fund four positions that are on the Department's Table of Organization, but are not currently funded.*

7. Department of Revenue and Finance

- A. An increase of \$16,000 due to an increase in personal services and data processing expenses.
- B. *A decrease of 8.2 FTE positions due to eliminating six Property Tax Unit positions in the Internal Resources Management restoration package and eliminating two Accounting Bureau positions in the State Financial Management Division restoration package.*

8. Office of the Secretary of State

- A. *A general decrease of \$22,000. The Business Services Division has attempted to cut expenditures 1.0% by increasing efficiencies and reducing the need for systems maintenance.*
- B. An increase of \$60,000 for costs associated with the biennial printing of the Iowa Official Register in FY 1998.

Issues

The Administration and Regulation Appropriations Subcommittee may wish to examine the following issues:

- Computerization of campaign finance records within the Ethics and Campaign Disclosure Board - The Board is requesting and the Governor is recommending \$24,000 to continue the implementation of the electronic filing project.
- Review of the restructuring of the Department of Commerce - The Department was restructured in FY 1994, and the budget proposal for FY 1998 requests that all funds for administrative functions be appropriated to the Administrative Services Division. *The Governor is also recommending that administrative functions be consolidated within the Administrative Services Division.*



- Creation of a Rebuild Iowa Infrastructure Board - *The Governor has proposed that a Rebuild Iowa Infrastructure Board be established to manage and prioritize the vertical infrastructure needs of the State. The Board would review State agency proposals for projects funded through the Rebuild Iowa Infrastructure Fund (RIIF) and would promote best practices in facility management. The Governor has recommended that \$100,000 and 2.0 FTE positions be appropriated from the General Fund in FY 1998 to support the Board.*
- Payment processes for interagency services - The majority of agencies within the Subcommittee provide services to other State agencies. The approach to funding these services has varied, causing a general lack of uniformity regarding how services are funded and how payments from service-receiving agencies are classified.
- Historical intent and current status of revolving funds and standing appropriations administered by agencies within the Administration and Regulation Appropriations Subcommittee - The agencies are responsible for a variety of projects which receive standing appropriations or other funds. House File 2416 (Administration and Regulation Appropriations Act) required agencies to report FY 1996 beginning and ending balances for all statutory revolving funds, as well as all expenditures in excess of the appropriated amount.

AGRICULTURE AND NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE

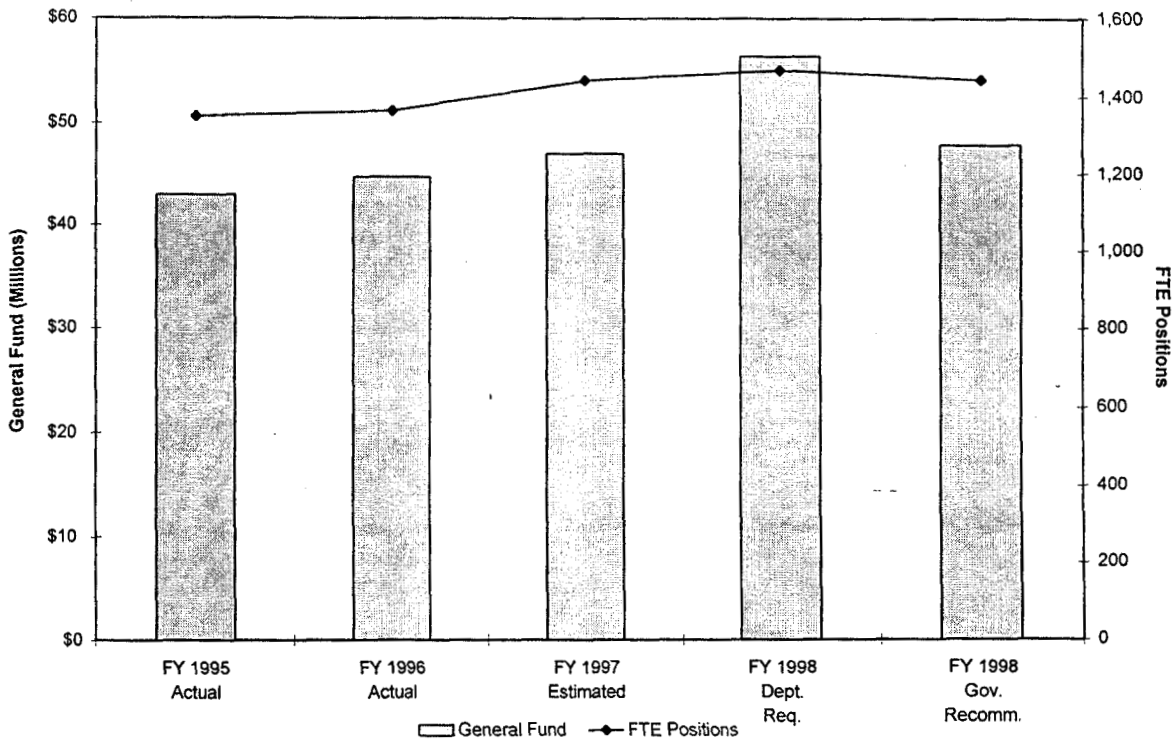


FY 1998 GOVERNOR'S RECOMMENDATIONS



The Governor is recommending \$47.8 million from the General Fund and 1,436.4 FTE positions for the two departments of the Agriculture and Natural Resources Appropriations Subcommittee. This is an increase of \$845,000 (1.8%) and an increase of 4.0 (0.3%) FTE positions compared to estimated FY 1997. All dollar amounts and percentages include General Fund appropriations from the former Commercial Feed, Fertilizer, Pesticide, Dairy Trade, Milk, and non-capital Marine Fuel Tax Funds. The following graph illustrates the history of General Fund appropriations and FTE positions.

Agriculture and Natural Resources Appropriations Subcommittee



Significant General Fund Changes Recommended

1. Department of Agriculture and Land Stewardship

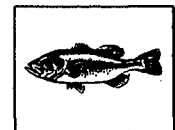
- A. A decrease of \$56,000 for an FY 1997 line-item Governor veto of the Iowa Financial Incentive Program oversight in the Soil Conservation Division.
- B. A decrease of \$50,000 for an FY 1997 line-item Governor veto of an additional Entomologist in the Laboratory Division.
- C. *A decrease of \$40,000 and 1.0 FTE position to eliminate the vacant Public Relations/Public Information position in the Administrative Division.*
- D. *An increase of \$21,000 and 1.0 FTE position for additional Meat and Poultry Inspectors in the Regulatory Division.*

2. Department of Natural Resources

- A. An increase of \$50,000 to provide additional funding for replacement of maintenance equipment for parks and preserves maintained by the Department.
- B. An increase of \$769,000 to replace federal funds for the construction grants program which funded basic wastewater permitting and inspection activities.
- C. An increase of \$150,000 to fully fund 7.0 FTE positions approved in FY 1997 for livestock regulatory efforts.
- D. *A decrease of 1.0 FTE position of the four approved FTE positions in FY 1997 for a permit coordination team, because all four positions were not fully funded in FY 1997.*
- E. *An increase of 5.0 FTE positions for additional staffing to process air emission source permits, funded from the Air Contaminant Fees.*

Significant Other Fund Changes Recommended

- 1. The Governor is recommending a transfer of \$400,000 from the Soil and Water Enhancement Account of the REAP Fund to the Loess Hills Development and Conservation Authority to help control streambed degradation and channel erosion. In FY 1997, the Loess Hills Development and Conservation Authority was appropriated \$400,000 from this fund.
- 2. The Governor is recommending \$21.9 million from the Fish and Game Protection Fund, an increase of \$131,000 compared to estimated FY 1997. The change includes:
 - A. An increase of \$26,00 for salary annualization.
 - B. An increase of \$105,000 to compensate three conservation officers' retirements annually. This would be an average of \$35,000 per officer.



3. The Governor is recommending an additional \$200,000 for 5.0 FTE positions in the Air Quality Program in the Environmental Protection Division from Air Contaminant Fees. The five additional staff will process air emission source operating permits to industrial and utility facilities.

Issues

The Agriculture and Natural Resources Appropriations Subcommittee may wish to examine the following issues:

- Unencumbered balances in various Cost Share Programs. The Department of Agriculture and Land Stewardship receives money for the Soil Conservation Cost Share Program, the Organic Nutrient Management Program, and the REAP Program. The Department then allocates the funds to all 99 counties. *The Governor is recommending a transfer of \$400,000 from the Soil and Water Enhancement Account of the REAP Fund to the Loess Hills Development and Conservation Authority to control streambed degradation and channel erosion.*
- Appointment of the Secretary of Agriculture position. The position of Secretary of Agriculture has been an elected position since the early 1920's. *The Governor is recommending the position of Secretary of Agriculture be appointed by the Governor and approved by the Senate effective January 1999.*
- The REAP funding level. The Code of Iowa requires the Program to receive a standing appropriation of \$20.0 million through FY 2001. The FY 1997 appropriation was \$9.0 million. *The Governor is recommending \$9.0 million from the General Fund for FY 1998.*
- The Air Quality Program. The Air Quality Federal Grant Program requires a 60.0% federal, 40.0% State, or minimum maintenance of effort match ratio to implement the Federal Clean Air Act. The match has previously been funded by air permit fees due to a waiver from the federal government through FY 1997. The Department of Natural Resources does not believe at this time that they will be allowed to use the permit fees as a match in future years and has requested \$716,000 for FY 1998 from the General Fund for the State's match for the Air Quality Program. *The Governor is not recommending General Fund dollars at this time due to confirmation from the federal government that Iowa's waiver to use Air Contaminant Fees for the State match for the Air Quality Program will continue through State FY 1998.*
- Wastewater permitting and inspection activities. In 1990, the State ceased receiving federal funds for the construction grants program which funded basic wastewater permitting and inspection activities. The Department has been able to support 10.5 FTE positions and related activities from prior balances carried forward since 1990. However, no carry forward is anticipated in FY 1998. *The Governor is recommending \$769,000 from the General Fund for FY 1998 to replace federal funds to support the 10.5 FTE positions and activities related to wastewater.*



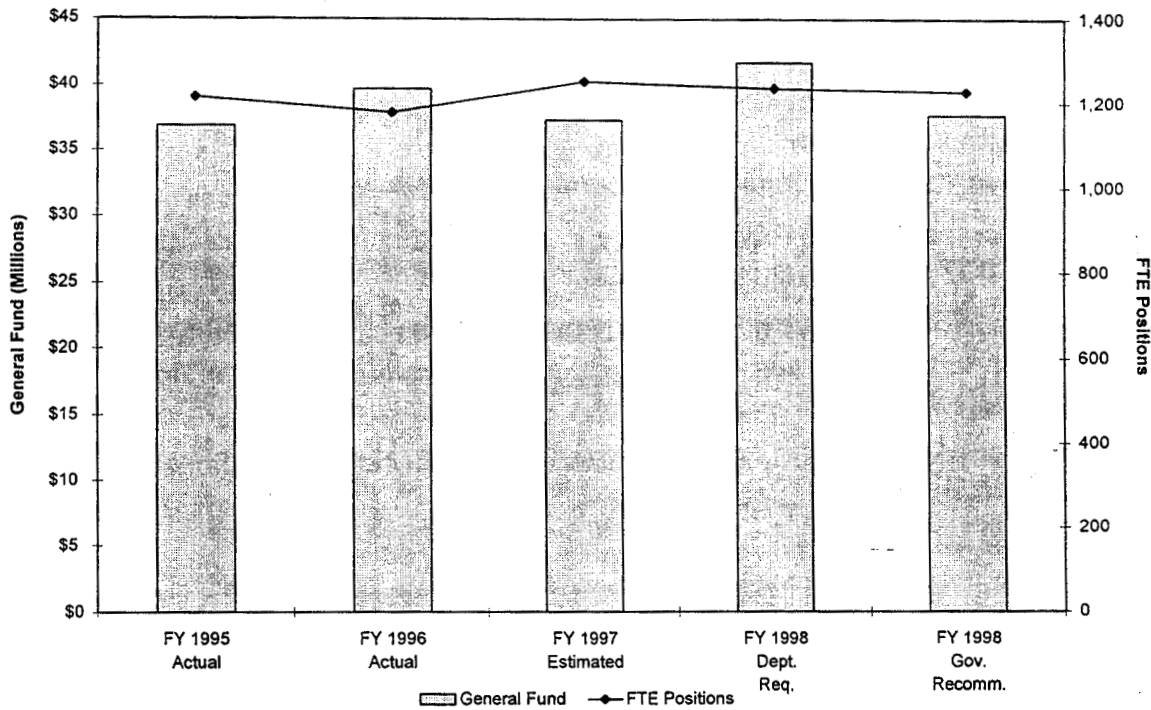
ECONOMIC DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE

FY 1998 GOVERNOR'S RECOMMENDATIONS

The Governor is recommending \$37.7 million from the General Fund and 1,228.0 FTE positions for the three departments of the Economic Development Appropriations Subcommittee. This is an increase of \$418,000 (1.1%) and a decrease of 24.3 (1.9%) FTE positions compared to estimated FY 1997. Included in the figures are \$5.7 million and 55.1 FTE positions for three Board of Regent's programs traditionally funded through the Economic Development Appropriations Subcommittee. The following graph illustrates the history of General Fund appropriations and FTE positions.





Economic Development Appropriations Subcommittee



Significant General Fund Changes Recommended

1. Department of Economic Development

- A. An increase of \$86,000 for General Fund salary adjustment across all budget units. 
- B. An increase of \$25,000 for the Film Office for support and services to film crew development, community support, and community preparedness.
- C. *A decrease of \$72,000 and 1.0 FTE position for the Small Business Program due to the elimination of an Executive Officer position in the Targeted Small Business Section.*
- D. An increase of \$750,000 for low-income housing and homeless assistance. In FY 1997, \$400,000 was appropriated to the Iowa Finance Authority for this Program. The Authority is not requesting funding for FY 1998. 
- E. An increase of \$175,000 for the International Trade Office to expand funding for agriculture promotions and for targeted meat and grain promotions in Asia and Mexico.
- F. An increase of \$50,000 for the Foreign Trade Office to provide additional staff in Germany in preparation for the retirement of the office director.
- G. An increase of \$30,000 for Tourism Operations to provide funding for telephone, computer, publication, and data processing costs previously funded through a separate Welcome Center appropriation.
- H. A decrease of \$100,000 for Tourism Operations due to the item veto of FY 1997 agricultural heritage funding.
- I. An increase of \$1.3 million for Tourism Advertising to continue the expanded in-state and out-of-state tourism advertising campaign begun through a FY 1996 supplemental appropriation.
- J. An increase of \$100,000 for Tourism Advertising for additional tourism expansion.
- K. *A decrease of \$100,000 due to the elimination of a separate appropriation for Welcome Center Operations.*
- L. *A decrease of \$400,000 due to the transfer of General Fund housing support from the Iowa Finance Authority to the Department of Economic Development. The Governor is recommending \$750,000 for housing programs through the DED's Community and Rural Development Division. The Governor is also recommending Real Estate Transfer Tax receipts (\$325,000 to \$400,000 annually) currently dedicated to housing programs within the Iowa Finance Authority be redirected to the General Fund.*
- M. *An increase of \$13,000 for expansion of Partner State relations to Italy.*

2. **Department of Workforce Development**

- A. An increase of \$70,000 for salary annualization across all General Fund budget units.
- B. An increase of \$88,000 and 1.0 FTE position to add a Deputy Industrial Commissioner to conduct Worker's Compensation mediations.
- C. An increase of \$25,000 to replace an obsolete computer system with a local area network and personal computers for the wage, contractor, and asbestos removal system through a lease-purchase agreement.
- D. A decrease of \$20,000 and 0.5 FTE position due to the elimination of the difference in minimum hourly wages between Iowa and the federal government.
- E. An increase of 4.0 FTE positions financed through additional federal funds.
- F. *A decrease of \$275,000 due to the transfer of the Workforce Development Initiative to the new Technology Investment Account. The Governor is also recommending an appropriation from the Technology Investment Account to the Department of Workforce Development for the Initiative.*
- G. A decrease of \$110,000 for the Employment Statistics/ Occupational Wage System due to the availability of unanticipated federal funding.
- H. A decrease of \$800,000 due to the FY 1997 item veto of a youth summer program appropriation.
- I. *A decrease of \$425,000 for the Workforce Investment Program due to the Governor's proposal to earmark a portion of the Department of Economic Development's Workforce Development Fund for an apprenticeship program.*
- J. A decrease of 23.8 FTE positions for the Job Service Administration Revolving Fund due to the consolidation of information technology personnel within a new department.



3. **Public Employment Relations Board** - An increase of \$19,000 for salary annualization and other line-item increases.

4. **Board of Regent Programs**

- A. An increase of \$4,000 for salary annualization.
- B. An increase of \$10,000 for a shortfall in the FY 1997 salary budget.
- C. A decrease of \$75,000 for the Center for Drug Development at the State University of Iowa due to reduced demand for new equipment and building renovations.

Significant Other Fund Recommendation

The Governor is recommending \$700,000 from the Technology Investment Account for completion of the Workforce Management System.

Issues

The Economic Development Appropriations Subcommittee may wish to examine the following issues:

- The fiscal position of the Iowa Finance Authority. During the 1996 interim, the Legislative Fiscal Committee examined the duties and financial operations of the Authority. Additional oversight is needed to ensure that the Authority is in compliance with the Code of Iowa. *The Governor is recommending General Fund support of housing programs be transferred from the Authority to the DED, and Real Estate Transfer Tax receipts be deposited to the General Fund instead of to the Authority.*
- The impact of elimination of the Wallace Technology Transfer Foundation, the transfer of programs, transfer of staff, and distribution of Foundation assets.
- The status of the Iowa Seed Capital Corporation and the impact of the Governor's item veto of the Corporation's FY 1997 FTE position authorization. *The Governor is recommending restructuring of the Iowa Seed Capital Corporation by using the current cash and assets of the Corporation (valued by the Corporation at the end of FY 1996 at \$7.3 million) to capitalize a new venture capital fund, with a projected total leverage of \$40.0 million in private funds.*
- The impact of the FY 1996 supplemental appropriation to Tourism Advertising. The majority of the appropriation was carried forward for expenditure in FY 1997. *The Governor is recommending \$1.4 million in additional General Fund dollars in FY 1998 to continue the increased advertising budget.*
- The impact of restrictive language related to average wage rates included in the 1997 General Fund appropriation to the Community Economic Betterment Account.
- The level of demand for and the operation of the Community Economic Betterment Account Program. Through October 4, 1996, the Program had an unobligated balance of \$8.9 million of the FY 1997 allocation and collections from repayments and recaptures, considerably higher than previous years. *The Governor is not recommending an increase for FY 1998 and the Department has not requested a supplemental appropriation for FY 1997.*
- The impact of "Good Neighbor" agreement weightings on Department of Economic Development competitive financial assistance programs.



- *Enterprise Zones - The Governor is recommending the establishment of Enterprise Zones in Iowa's least economically advantaged areas to promote new economic development and create better-paying jobs. Companies which locate or expand in these zones will be offered incentives similar to those currently provided under the New Jobs and Income Program.*
- *Rural Enterprise Fund - The Governor is recommending the Rural Development Program receive \$178,000 in Rural Community 2000 loan repayments traditionally appropriated to the Councils of Governments. The funds would be used to expand rural services which focus on new partnerships, innovative programs, and improved efficiencies for local governments.*
- The degree to which the Department of Economic Development audits compliance with job-creation agreements. The FY 1994 and FY 1995 annual audits conducted by the Auditor of State reported a problem with the Department of Economic Development's internal control structure relating to documentation of financial aid recipients' reporting of job creation and wage payment history. The FY 1995 audit stated, "...although each program has developed some monitoring procedures, they are not consistently applied."
- The impact of the reorganization of worker training programs on the new Department of Workforce Development and the Department of Economic Development. The 1996 General Assembly consolidated many worker-training programs under the new Department, effective July 1, 1996.
- *Business and Workforce Development - The Governor is recommending the Department of Economic Development target the Innovative Skills Program to help small businesses, individuals, and local governments take advantage of the Internet to market products, and that job training programs of the Departments of Workforce Development and Economic Development target workforce training programs towards construction trades.*



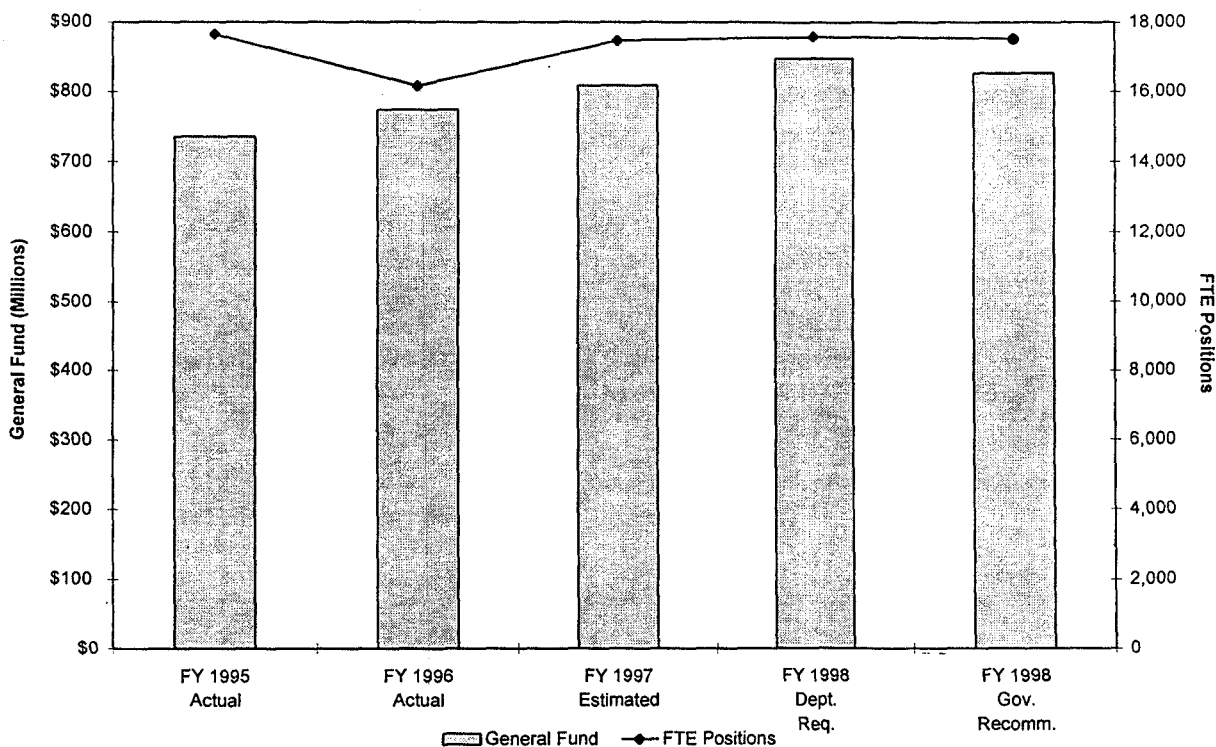
EDUCATION APPROPRIATIONS SUBCOMMITTEE

FY 1998 GOVERNOR'S RECOMMENDATIONS

The Governor is recommending \$826.0 million from the General Fund and 17,429.6 FTE positions for the four departments of the Education Appropriations Subcommittee. This is an increase of \$16.7 million (2.1%) and 42.5 (0.2%) FTE positions compared to estimated FY 1997. This figure does not include the Unassigned Standings, the Infrastructure Fund, the Technology Fund, or salary allocation. The following graph illustrates the history of General Fund appropriations and FTE positions.



Education Appropriations Subcommittee



Significant General Fund Changes Recommended

1. College Student Aid Commission



- A. An increase of \$1.2 million for funding the National Guard Tuition Assistance Program. The Program was created by the 1996 General Assembly, with the Governor vetoing the funding.

- B. An increase of \$3.0 million for additional funding for the Tuition Grant Program, increasing the maximum grant from \$3,150 to \$3,400.

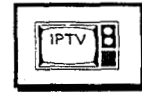
2. **Department of Cultural Affairs**



- A. An increase of \$40,000 for the Arts Council to annualize funding for a folklife position that was authorized in FY 1997.
- B. An increase of \$97,000 and 1.0 FTE position for the Historical Society to respond to customer demands for access to records, manuscripts, and other historical documents.
- C. An increase of \$195,000 and 3.0 FTE positions for Historic Sites for the Western Historic Trails Center in Council Bluffs.

3. **Department of Education**

- A. An increase of \$316,000 and 4.5 FTE positions for the Division of Vocational Rehabilitation to fully match federal funds.
- B. An increase of \$82,000 and 1.0 FTE position for Iowa Public Television to provide assistance to the educational community regarding appropriate technology for educational applications.
- C. *An increase of \$50,000 to support development of a Reading Recovery Teacher Training Center.*
- D. An increase of \$4.0 million for community college general aid.



4. **Board of Regents**

- A. University of Iowa:
 - 1. An increase of \$1.1 million for a possible FY 1997 salary shortfall.
 - 2. An increase of \$559,000 for salary annualization.
 - 3. An increase of \$608,000 for library inflation.
 - 4. An increase of \$104,000 for building repair.
 - 5. An increase of \$258,000 for undergraduate education.
 - 6. An increase of \$200,000 for biosciences.



7. An increase of \$150,000 for humanities research.
8. An increase of \$500,000 for technology-based teaching.
9. An increase of \$399,000 for program expansion of the Driving Simulator.
10. *A decrease of \$307,000 for FY 1997 one-time bonuses.*

B. Iowa State University:

1. An increase of \$882,000 for a possible FY 1997 salary shortfall.
2. An increase of \$236,000 for salary annualization.
3. An increase of \$475,000 for library inflation.
4. An increase of \$88,000 for building repair.
5. An increase of \$230,000 for research and graduate education.
6. An increase of \$1.0 million for engineering education.
7. An increase of \$200,000 for information technology.
8. *An increase of \$250,000 for a World Food Prize.*
9. *A decrease of \$315,000 for FY 1997 one-time bonuses.*



C. University of Northern Iowa:

1. An increase of \$309,000 for a possible FY 1997 salary shortfall.
2. An increase of \$90,000 for salary annualization.
3. An increase of \$131,000 for library inflation.
4. An increase of \$383,000 for opening the Wellness Center.
5. An increase of \$151,000 for information technology.
6. *An increase of \$150,000 for off campus centers.*
7. *A decrease of \$101,000 for FY 1997 one-time bonuses.*
8. *A decrease of \$172,000 for FY 1997 one-time technology teaching.*



D. Iowa School for the Deaf:

1. An increase of \$21,000 for a possible FY 1997 salary shortfall.
2. An increase of \$11,000 for salary annualization.
3. An increase of \$600 for library inflation.
4. An increase of \$30,000 for a one-time expenditure of computerized photography stations.
5. *A decrease of \$11,000 for FY 1997 one-time bonuses.*

E. Iowa Braille and Sight Saving School:

1. An increase of \$12,000 for a possible FY 1997 salary shortfall.
2. An increase of \$10,000 for salary annualization.
3. An increase of \$500 for library inflation.
4. An increase of \$20,000 for a one-time expenditure of an accounting system replacement.
5. *A decrease of \$13,000 for FY 1997 one-time bonuses.*

F. Tuition and Transportation: An increase of \$5,000, which pays for tuition and transportation costs of students of employees on the campus of the School for the Deaf to the local public school.

G. Tuition replacement: An increase of \$802,000, which assumes an FY 1997 carryover of \$214,000.

Significant Other Fund Recommendations

1. **College Student Aid Commission:** The Governor is recommending an appropriation of \$5.2 million from the Stafford Loan Reserve Fund for the operation of the Stafford Loan Program.
2. **Department of Education**
 - A. The Governor is recommending that \$100,000 of the interest on the Permanent School Fund that is being deposited in the Interest for Iowa Schools Fund be expended for a new program to encourage volunteerism in K-12 schools, with a focus on older Iowans as volunteers.
 - B. *The Governor is recommending a \$2.5 million appropriation from the Technology Investment Account for Community College Technology needs.*

Issues

The Education Appropriations Subcommittee may wish to examine the following issues:

- The fourth year of the Primary Care Program at the University of Osteopathic Medicine and Health Sciences. Of the FY 1996 appropriation, \$234,000 (59.0%) was carried over into FY 1997.



- The required study of the College Student Aid Commission regarding the differentiation of tuition grant awards based upon parental income.
- The use of other sources of income available to the institutions under the control of the State Board of Regents, such as Treasurer's Temporary Investments, indirect cost reimbursements, tuition, and gifts and grants.
- The amount of building repair carry-over by the institutions of the Board of Regents.
- The change from the Stafford Loan Program to a direct loan program and the Stafford Loan Program. This has an impact upon the College Student Aid Commission with a reduction in the number of loans guaranteed by the Stafford Loan Program. *The Governor is recommending an increase of 1.0 FTE position to provide increased staff for delinquent payment collections.*
- The Division of Vocational Rehabilitation's progress on matching additional federal funds with other funds.
- The status of the Department of Education's Management Information System. The Department is requesting \$1.5 million to implement the Electronic Data Interchange (EDI) Program in all school districts. *The Governor is not recommending funding for the Electronic Data Interchange Program in FY 1998 but is recommending funding the Program at \$1.5 million in FY 1999 from the Technology Investment Account. The Governor is also recommending \$100,000 for the Management Information System for FY 1998 from the Technology Investment Account to replace funding previously provided from the Educational Excellence standing appropriation. The Governor is also recommending that \$2.5 million be appropriated to community colleges in FY 1998 and FY 1999 from the Technology Investment Account for technology.*
- The funding proposal recommendations for the community colleges. The Department of Education was directed in HF 2477 (Education Appropriations Act for FY 1997) to submit recommendations for a new funding mechanism for community colleges to the General Assembly by January 1, 1997. A report outlining the recommendations has been completed and is scheduled to be formally approved by the State Board of Education at the January 1997 meeting. The report will then be submitted to the General Assembly.



- The significant carryover of funds appropriated for the Career Pathways Program. The Department is not requesting an appropriation for FY 1998, but approximately \$1.1 million remains unspent from FY 1996 and FY 1997.
- A review of the programs funded from the Educational Excellence appropriation. *The Governor is recommending that excess Phase I funds be expended as follows:*
 - \$350,000 to increase minimum teacher salaries from \$18,000 to \$20,000.
 - \$140,000 for the K-12 portion of the Department of Education's Management Information System.
- The dedication of the interest earned on the Permanent School Fund for a specific permanent use. Currently, the Fund supports the First In the Nation in Education (FINE) Foundation and the Belin International Gifted and Talented Center in Iowa City. Both of these entities have sizable private foundations and may no longer require State support. *The Governor is recommending that \$99,000 of carryover interest from the Fund be expended on a new program to promote volunteerism in K-12 schools, with a focus on older Iowans.*
- The elimination of the Permanent School Fund. Elimination of the Fund can only be accomplished by Constitutional Amendment, however, the funds could be loaned to educational entities such as K-12 schools if the Fund is not eliminated.
- A review of the progress by the Department of Education in the areas of standards and accreditation for Area Education Agencies.
- *The Governor is recommending three new initiatives that include:*
 - *Iowa+ Community High Schools to be funded with federal funds and redirected funds from Phase III of the Educational Excellence standing appropriation.*
 - *ACCESS Education through Distance Learning to be funded with an FY 1997 supplemental appropriation of \$50,000.*
 - *Commission on Educational Excellence for the 21st Century to be funded with an FY 1997 supplemental appropriation of \$150,000.*

HEALTH AND HUMAN RIGHTS APPROPRIATIONS SUBCOMMITTEE

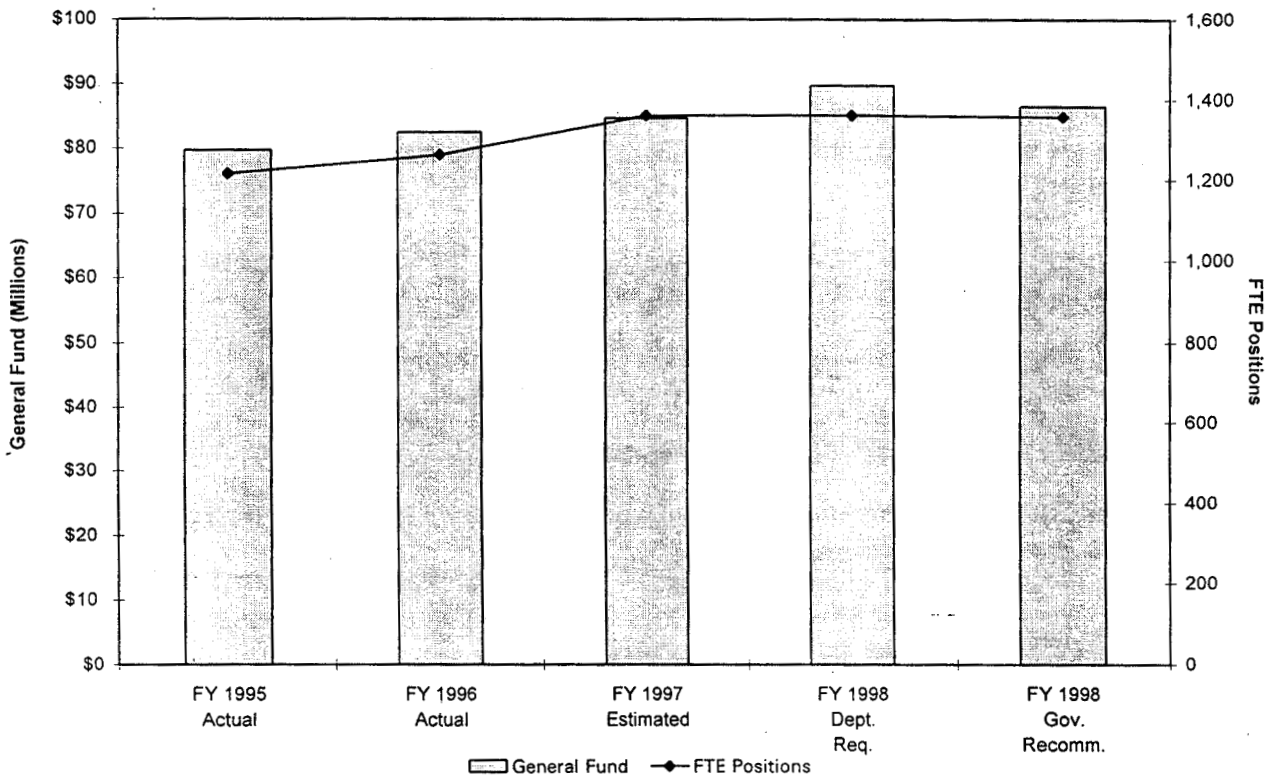


FY 1998 GOVERNOR'S RECOMMENDATIONS

The Governor is recommending \$86.5 million from the General Fund and 1,355.7 FTE positions for the seven departments of the Health and Human Rights Appropriations Subcommittee. This is an increase of \$1.8 million (2.1%) and a decrease of 1.0 (0.1%) FTE position compared to estimated FY 1997. The following graph illustrates the history of General Fund appropriations and FTE positions.




Health & Human Rights Appropriations Subcommittee



Significant General Fund Changes Recommended

1. An increase of \$387,000 for salary annualization for the seven departments.
2. **Governor's Alliance on Substance Abuse** - An increase of \$65,000 for services to administer additional federal funds from the new Local Law Enforcement

Block Grant Program, the Drug Control and System Improvement Grant, and the STOP Violence Against Women Grant.

3. **Civil Rights Commission** - A decrease of \$69,000 and 1.0 FTE position due to the transfer of an Administrative Law Judge to the Department of Inspections and Appeals.
4. **Department of Elder Affairs**
 - A. An increase of \$500,000 to expand Integrated Case Management for the Frail Elderly Program into additional counties.
 - B. An increase of \$81,000 for development of additional offices for caregiver support for Alzheimer's. *The Governor is recommending an increase in the capacity of the Alzheimer's Chapters to recruit more volunteers to provide caregiver support services in underserved areas of the State.*
 - C. An increase of \$40,000 for contract services associated with assisted living certification and monitoring.
5. **The Department of Public Health**
 - A. **Planning and Administration Division**
 1. *The Governor is recommending a decrease of \$315,000 due to allocating funding for vital records functions from the Vital Records Modernization Fund rather than the General Fund.*
 2. *The Governor is recommending a decrease of \$60,000 due to reductions in the Certificate-of-Need Program.*
 - B. **Professional Licensure Bureau** - An increase of \$114,000 to comply with the 85.0% fees returned to the budget as required in the FY 1997 Health and Human Rights Appropriations Act.
 - C. **Substance Abuse Program Grants** - An increase of \$400,000 to restore funding for comprehensive treatment services to the FY 1996 appropriation level. 
 - D. **Parental Notification Program** - An increase of \$100,000. This is a new appropriation for consideration by the Health and Human Rights Subcommittee for FY 1998. The Department of Public Health received a \$200,000 supplemental appropriation in FY 1996 and carried it forward into FY 1997 to fund a video.
 - E. **Board of Medical Examiners** - An increase of \$154,000 for disciplinary expenses due to an anticipated increase in caseload.
 - F. **Board of Pharmacy Examiners** - An increase of \$49,000 and 1.0 FTE position for a Program Planner to administer a new technician registration program.

G. Dental, Medical, and Pharmacy Examining Boards

1. A combined increase of \$27,000 for a quarterly newsletter published jointly by the Boards.
2. A combined decrease of \$47,000 due to one-time expenditures for license tracking software.

6. Commission on Veterans Affairs

- A. Veterans Affairs Division - An increase of \$90,000 for conversion of existing paper records to CD-ROM.
- B. Iowa Veterans Home
 1. An increase of \$182,000 for a 4.0% inflation factor in the J. A. Jones contract.
 2. An increase of \$30,000 for inflationary increases in the cost of prescriptive drugs.
 3. An increase of \$64,000 to provide funding for in-house comprehensive psychiatric services.

Issues

The Health and Human Rights Appropriations Subcommittee may wish to examine the following issues:



- Federal funds - Consider the alternatives if federal funding is not appropriated for programs at sufficient levels. The State may need to provide alternative funds, operate at a reduced level, or discontinue programs.
- Technological advancement - Examine requests for additional software, new computers, communication technology, and information systems on a holistic level to fully understand the impact of technological growth.
- The Healthy Opportunities for Parents to Experience Success (HOPES) Program - Review the progress of the Program during the past year and discuss ways to strengthen it. *The Governor is recommending continued funding for programs which have shown success in reducing infant mortality and child abuse in Iowa.*
- Case Management Program - Examine the expansion of the Program within the Department of Elder Affairs. *The Governor is recommending an increase of \$500,000 for the Department of Elder Affairs for expansion of the program in both FY 1998 and FY 1999. The Governor anticipates the program will be in all counties by the end of FY 1999.*
- Repeal of the Department of Human Rights effective July 1, 1997 - Examine whether to eliminate the Department, transfer the responsibilities of the divisions of the Department, or reverse the repeal.

- Deaf Interpretation Services - Review the quality and availability of deaf interpretation services within the State of Iowa, including the service provided by the Deaf Services Division of the Department of Human Rights and services available in the private sector.
- Professional Licensing - Consider the administration and funding of the boards of the Professional Licensing Division.
- Tele-medicine at the Iowa Veterans Home - Evaluate the costs versus benefits of using tele-medicine at the Home via the ICN.
- Abortion reporting - Consider the State's abortion reporting policies and the effect on federal funding when federal funding is based on the reduction of abortions. The State currently does not collect abortion statistics. *The Governor is recommending statistical reporting of termination of pregnancies in order to make Iowa eligible to compete for \$20.0 million in federal incentive grants. The grants will be available to states that are successful in decreasing out-of-wedlock births without increasing abortions.*
- Single county contracts - Evaluate the use of single county contracts for well-elderly clinics, public health nursing, and home care aid programs.



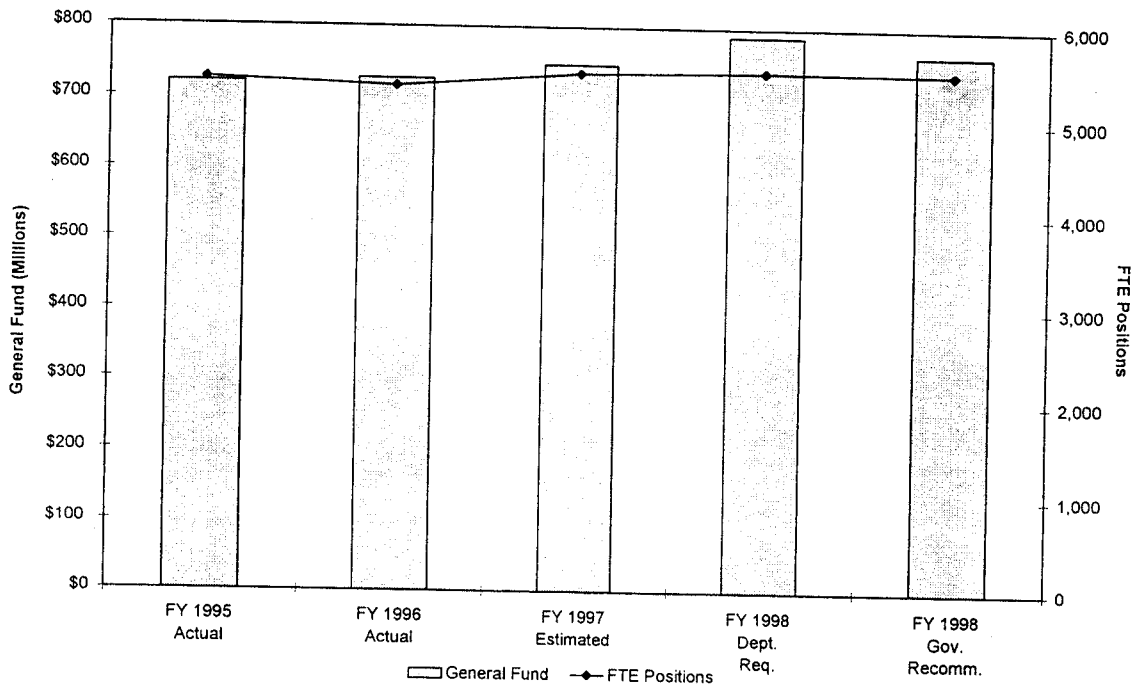
HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE

FY 1998 GOVERNOR'S RECOMMENDATIONS



The Governor is recommending \$763.1 million for operations from the General Fund and 5,526.5 FTE positions, an increase of \$15.8 million (2.1%) and 17.3 (0.3%) FTE positions compared to estimated FY 1997. The following graph illustrates the history of General Fund appropriations and FTE positions.

Human Services Appropriations Subcommittee



Significant General Fund Changes Recommended

1. **Medical Services** - An increase of \$16.4 million (4.2%) in State funding for Medical Services compared to estimated FY 1997. The Medical Services recommendation increase is comprised of four appropriations: Medical Assistance, Medical Contracts, State Supplementary Assistance, and a new appropriation for the Health Insurance Premium Payment Program.

A. An increase of \$15.2 million (4.2%) for Medical Assistance compared to estimated FY 1997.


1. Adjusts provider reimbursement levels to meet the State Plan and federal requirements. The following is a list of reimbursement rate increases proposed by the Governor and associated State cost increases for FY 1998.



Provider	Cost (Millions)	Percent Increase
Inpatient Services	\$ 1.8	2.8%
Outpatient Services	0.7	2.8%
Skilled Nursing Facilities	0.3	3.3%
Rural Health Clinics and Health Centers	0.1	2.7%
Home Health Agencies	0.5	3.4%
Nursing Facilities	8.7 *	6.3%
Drug Product Cost	3.0	8.6%
Hospice	0.1	3.4%
Total	<u><u>\$ 15.2</u></u>	

*The Governor is recommending remaining at the 70th percentile. The continuation of reimbursement rates for intermediate care facilities at the 70th percentile means that 70.0% of the facilities which have the lowest allowable costs are reimbursed for all costs, while the remaining 30.0% of the facilities receive only partial reimbursement and receive only the maximum daily rate. The Nursing Facilities increase listed in the table is the cost of the 70th percentile. The State is required by federal law to reimburse minimally at the 55th percentile. The total cost of remaining at the 70th percentile is \$8.7 million comprised of \$2.6 million for the 55th percentile in addition to \$6.1 million for the 70th percentile. Because of inflation, the 55th (or 70th) percentile costs more than it did the prior fiscal year. The recommendation assumes an annual compilation date of June 30, 1997. The maximum daily rate is assumed to be \$71.03 per day. This is an increase of \$4.23 per day (6.3%) compared to the FY 1997 rate.

2. Major proposed increases for items not in the base budget include:
 - a. An increase of \$436,000 assuming a 3.5% increase in the number of eligible Medical Assistance recipients.
 - b. A decrease of \$3.1 million due to an increase in the federal financial participation rate from 63.26% to 63.55%. Because of overlapping State and federal fiscal years, the State FY 1998 recommendation includes one quarter of the FFY 1997 federal financial participation rate and three quarters of the FFY 1998 rate.

- c. An increase of \$3.8 million for the nonfederal share of Intermediate Care Facilities for the Mentally Retarded and Home and Community Based Services for children. In FY 1997, \$6.6 million was appropriated from the Property Tax Relief Fund to the DHS to offset the cost of this traditionally county-funded service. The appropriation of \$6.6 million from the Mental Health Property Tax Relief Fund is assumed to continue, but is insufficient to fund the total estimated FY 1998 cost of these services, which is anticipated to increase to \$10.4 million. The increase listed above is the difference between the total cost and the portion which is paid from the Mental Health Property Tax Relief Fund.
 - d. A decrease of \$1.9 million due to revised estimates for Family Investment Program and Supplemental Security Income eligible individuals. Due to federal welfare reform, fewer Family Investment Program and Supplemental Security Income individuals will be eligible for those programs which provides automatic eligibility for the Medical Assistance Program. The Governor estimates that 553 (1.2%) fewer Supplemental Security Income and 2,272 (2.2%) fewer Family Investment Program individuals will be eligible than originally projected. These two eligibility groups make up approximately one-half of the total number of individuals eligible for the Medical Assistance Program.
 - e. An increase of \$1.1 million due to an increase in the number of individuals eligible for both Medicare and the Medical Assistance Program and an increase in the Medicare premium rates. The State pays the Medicare premium because it is less costly than Medical Assistance Program eligibility for eligible individuals. The FY 1998 rates are projected to be \$326.50 per month for Part A and \$46.00 per month for Part B. This is an increase of \$25.00 (8.29%) per month for part A and \$2.75 (6.35%) per month for Part B. 
 - f. An increase of \$809,000 for Psychiatric Medical Institutions for Children (PMIC) which were formerly funded out of the Child and Family Services appropriation.
- B. An increase of \$795,000 (11.7%) in State funding for Medical Contracts compared to estimated FY 1997. The change includes an increase of \$548,000 for development and installation of a Medicaid Management Information System (MMIS). The development of the MMIS is part of the new contract with Consultech, a claims processing firm. Consultech will take over claims processing for the Medical Assistance Program on July 1,

1997. Unisys was formerly the Fiscal Agent for the Medical Assistance Program.

C. An increase of \$390,000 and 17.0 FTE positions for a new appropriation to fund the Health Insurance Premium Payment (HIPP) Program. Under the federal 1990 Omnibus Budget Reconciliation Act, eligible Medical Assistance recipients are mandated to enroll in employer related group health insurance plans when it is determined cost effective. The cost savings occurs when an individual eligible for employer related health insurance drops coverage once Medical Assistance eligibility is attained. The HIPP Program pays the costs of enrolling a Medical Assistance eligible in the employer related health plan. Currently, \$166,000 and 8.00 FTE positions are funded for this purpose in the General Administration appropriation. The expansion of \$224,000 and 9.00 FTE positions is projected by the DHS to generate savings of \$290,000 in FY 1998 and \$705,000 in FY 1999. The current program (prior to expansion) is estimated to generate \$2.4 million in savings to the Medical Assistance Program. These savings have been reduced from the base budget of the Medical Assistance Program.

2. **Serving Adults, Children, and Families** - An increase of \$26.9 million (22.8%) compared to estimated FY 1997. Significant changes include:

A. An increase of \$1.2 million (9.6%) for Child Care Services. This increase is to fund child care for children in foster care previously funded in the Child and Family Services appropriation. The transfer maintains current services by restoring lost federal Emergency Assistance funds with State dollars. Federal funding is anticipated to increase for FFY 1998 to \$30.3 million, which is an increase of \$5.1 million (20.1%) compared to the most recently revised estimated federal funds received in FY 1997. *The Governor's initiative includes targeting additional federal funding for child care providers who serve a high proportion of low-income families, and lifting the freeze on provider rates by implementing the new rate maximums based on the 1996 rate survey.*

B. An increase of \$25.8 million (30.2%) for Child and Family Services. The major changes within the Child and Family Services budget include:

1. An increase of \$13.1 million to maintain current services by restoring IV-A/EA federal funds with State dollars. The restored funds occur in the following areas:



Family Foster Care	\$	2.7 million
Shelter Care		2.0 million
Family Centered Services		6.9 million
Family Preservation Services		1.1 million
Wraparound Services		407,000
FACS Data System		50,000
Total	\$	13.1 million

2. An increase of \$5.4 million for Family Centered Services. The funding would increase the estimated FY 1997 caseload by 632 families per month for a total population of 5,576 families per month in FY 1998.
3. An increase of \$603,000 for Family Preservation Services. The funding would increase the estimated FY 1997 caseload by 57 families per month for a total population of 247 families per month in FY 1998.
4. A decrease of \$809,000 for Psychiatric Medical Institutions for Children (PMIC), due to changing the responsibility for substance abuse costs to the Iowa Substance Abuse Managed Care Plan in the Medical Services budget area.
5. An increase of \$1.9 million for Family Foster Care. The funding would increase the estimated FY 1997 average monthly caseload by 272 children per month for a total average monthly population of 2,715 children in FY 1998. Federal funding for Family Foster Care is anticipated to increase by \$1.8 million compared to estimated FY 1997. The change includes:
 - a. *An increase of \$330,000 for a Family-Based Foster Care demonstration project in two regions to serve 20-40 children per region in neighborhood-based family foster care.*
 - b. *An increase of \$73,000 for a Foster Care Family Shelter Care Project in one region to increase placement stability in a family-like, non-congregate setting.*
6. An increase of \$2.5 million for Group Care to increase the average daily population by 31 children to the FY 1995 level of 1,109 children, which is a caseload increase of 2.9%. The FY 1998 allocation of \$1.1 million maintains the Highly Structured Juvenile Program caseload of 50 beds.
7. An increase of \$1.3 million for Subsidized Adoption, including an increase of 230 cases compared to the FY 1997 caseload level of 2,143 for a total caseload of 2,373 special needs children. Federal funding for Subsidized Adoption is expected to increase by \$1.4 million.
8. An increase of \$787,000 for Wraparound services, to provide the service level of the FY 1997 Regional Child Welfare plans.
9. An increase of \$1.8 million for Adolescent Monitoring including \$1.2 million to replace a one-time balance brought forward from FY 1996 into FY 1997, and \$629,000 to fund an expanded caseload. The 20.0% increase in total funding level compared to estimated FY 1997 would add 43 youths to the

caseload for a total of 260 youths per month, providing monitoring either as an alternative to group care or as aftercare for youths returning from a placement.

10. An increase of \$796,000 for Supervised Community Treatment, funding daily programming for an additional 44 youths for a total of 265 delinquent youths per month, either as an alternative to group care or as aftercare for youths returning from a placement.
11. A decrease of \$873,000 to eliminate the State contribution to county detention under the Code of Iowa, Chapter 232.142, which currently reimburses counties for approximately 7.7% of the total detention costs, and funds the State share of county detention from the Governor's Surcharge proposal. *The Governor's proposal establishes a \$10 surcharge on scheduled fines and forfeitures to provide additional funding for local corrections infrastructure needs including county jails, courthouse security, juvenile detention, and runaway assessment facilities. The surcharge would generate approximately \$6.0 million in addition to approximately \$1.0 million in new fines on juvenile offenses and approximately \$3.0 million which is a portion of State fines collected, for a total of \$10.0 million.*
12. A decrease of \$532,000 for Independent Living, which would serve an additional 17 cases compared to FY 1997 usage for a total of 131 cases per month. (The original budget for FY 1997 estimated a caseload of 145 per month which was never attained. The estimated FY 1997 caseload was 114 cases per month.)
13. A decrease of \$548,000 to reflect change in the federal matching rate according to the latest information received since the Department Request was formulated. The increased federal match rate would lower the State share across services areas within the Division of Adult, Child and Family Services by the specified decrease.



Note: The budget request submitted to the Governor does not reflect the Department's priorities. For example, budget package four is not necessarily a higher priority to the Department than budget package six. The LFB has requested the DHS to restate the Child and Family Services budget to meet the requirements of Section 8.23, Code of Iowa. The DHS is developing a restatement of the Child and Family Services budget request to reflect budget priorities.


2.

3. **Economic Assistance** - A decrease of \$38.3 million (68.5%) compared to estimated FY 1997. The 1993 General Assembly changed the Aid to Families with Dependent Children Program to the Family Investment Program (FIP). Economic Assistance is comprised of the three following appropriations:

A. The Family Investment Program - The recommendation is a decrease of \$38.3 million (80.9%) in State funding compared to estimated FY 1997. The Governor's recommendation assumes the implementation of federal welfare reform for FY 1998. Federal welfare reform eliminates the Aid to Families with Dependent Children Program which matched State funds with federal funds on the basis of expenditures. The new Temporary Assistance to Needy Families (TANF) Block Grant provides a fixed amount of federal funding for five years. Because caseloads and cost per case have decreased over the last three years, the amount of federal funding under the TANF Block Grant is greater than what would have been received under the AFDC Program funding formula. The budget recommendation utilizes amounts of additional federal funding to offset General Fund moneys. A portion of the General Fund moneys are transferred from FIP to the Child and Family Services budget to offset lost federal funds in those areas. For FY 1998, the DHS has combined the appropriations for the Promise Jobs and Family Investment Programs. During prior years, these were separate appropriations. The changes include:



1. A decrease of \$18.0 million due to replacing General Fund moneys with federal TANF funds.
2. A decrease of \$11.5 million due to reduced caseloads and cost per case. Caseload projections for FY 1998 assume a reduction of 5,590 (16.1%) cases and a reduction of \$5.87 (1.8%) in the monthly cost per case.
3. A decrease of \$5.8 million due to replacing General Fund moneys with TANF funds in the Promise Jobs Program. Funding for Promise Jobs child care (\$3.7 million State and federal), formerly funded out of the Promise Jobs appropriation, has been transferred to the Child Care Appropriation. Net total funding (State and federal) for Promise Jobs will increase by a total of \$1.2 million compared to the FY 1997 funding level.
4. A decrease of \$1.2 million due to the transfer of funds for child protective services to Child and Family Services.
5. A decrease of \$1.2 million due to receiving more Social Services Block Grant funds than was originally projected. Originally, a cut of 15.0% in funds was projected and the actual cut is estimated at 10.0%

6. A decrease of \$730,000 due to elimination of the \$50 child support rebate. The first \$50 collected each month from child support obligors is passed through to the recipients of child support who also receive FIP benefits. The remainder of child support collected is held by the State to offset the cost of providing assistance benefits. In the past, the federal government has provided a matching amount equal to the federal financial participation rate to offset the cost of this practice. Federal support for this practice was terminated October 1, 1996. The total estimated General Fund cost for FY 1998 of continuing the child support rebate is \$3.4 million. Recipients currently receiving the rebate would continue to receive it, but for new recipients, all child support collected would go to the State. It is estimated that it will take approximately six years to eliminate rebates for all clients.
- B. An increase of \$38,000 (0.6%) and no change in FTE positions for the Child Support Recoveries Unit compared to estimated FY 1997 due to an increase for computer systems changes for elimination of the \$50 child support rebate.
 - C. No change in the appropriation for Emergency Assistance of \$2.0 million compared to estimated FY 1997. The Emergency Assistance appropriation provides up to \$500 per year to families with children under the age of 18. The budget assumes serving 5,348 families at an average grant of \$365. Assistance may include rent, house payments, utilities, purchase or repair of heating equipment, and rent or utility deposits. To qualify, a family's income must be at or below the Office of Management and Budget poverty level (\$11,900 per year for a family of three). Once the funds are exhausted during the fiscal year, the program is terminated for the remainder of the fiscal year. In FY 1996, funds were exhausted by January 16, 1996.
4. **Services for Persons with Mental Illness/Mental Retardation/ Developmental Disabilities/Brain Injuries** - An increase of \$1.7 million (1.3%) and a decrease of 20.0 (0.8%) FTE positions compared to estimated FY 1997. The major changes include:
- 
- A. A decrease of \$269,000 (2.0%) and 7.0 (2.3%) FTE positions at the Mental Health Institute at Cherokee, including a decrease of \$361,000 and 7.0 FTE positions to continue the phase-out of the Residency Program.
 - B. A decrease of \$562,000 (1.6%) and no change in FTE positions at the State Hospital School at Glenwood for salary annualization, a change in the vacancy factor, and the partial year savings from a closed living unit. The operating capacity of the School will decrease from the current level of 403 to 373 at the end of FY 1997, a decrease of 7.4%. The operating bed capacity of the institution will remain at 373 for FY 1998.

Note: Based on FY 1996, approximately 62.2% of the savings will benefit the federal government in the form of reduced billings for Medical Assistance and Medicare, while approximately 23.8% of the savings will benefit counties. Savings will likely be offset by increased costs in community-based programs such as Intermediate Care Facilities for the Mentally Retarded.

- C. A decrease of \$735,000 (2.7%) and 8.0 (1.2%) FTE positions at the State Hospital School at Woodward, including salary annualization, staff and support reductions, and the partial year savings from a closed living unit. The operating capacity of the School will decrease from the current level of 296 to 266 at the end of FY 1997, a decrease of 10.1%. The operating bed capacity of the institution will remain at 266 for FY 1998.

Note: Based on FY 1996, approximately 63.6% of the savings will benefit the federal government in the form of reduced billings for Medical Assistance and Medicare, while approximately 27.4% of the savings will benefit counties. However, savings will likely be offset by increased costs in community-based programs such as Intermediate Care Facilities for the Mentally Retarded.

The following table illustrates the changing capacity of State institutions from actual FY 1987 capacity through the budgeted FY 1998 capacity:

Institution	Institutional Capacity Versus Census						
	FY 1987	FY 1995	FY 1996		Estimated FY 1997		FY 1998
	Census	Census	Capacity	Census	Capacity	Census	Gov. Rec. Capacity
Cherokee MHI	173	98	140	80	110	73	110
Clarinda MHI	87	68	83	69	83	75	83
Independence MHI	171	171	213	153	181	142	181
Mt. Pleasant MHI	130	76	80	70	80	69	80
Glenwood SHS	648	429	425	409	403-373	405	373
Woodward SHS	465	290	312	278	296-266	287	266

Note: The FY 1997 average daily census for the State Hospital Schools currently exceeds the proposed bed capacity for FY 1998. If the bed capacity is reduced, clients currently residing at the Schools may require other accommodations. The FY 1997 Census column refers to average daily census through October 1996.

- D. An increase of \$1.9 million (35.3%) for the State Cases Program, which provides services for Iowa residents without legal settlement in a county. The Program pays for the same county authorized services provided by the county of residence to persons with legal settlement. The increase reflects projected increases in utilization of the Program by the mentally ill and developmentally disabled populations, and a transfer of \$130,000 from the Residential Services Reimbursement Rate Increase appropriation.



- E. An increase of \$1.2 million (7.2%) for Mental Health and Developmental Disabilities Community Services Fund. The increase is a transfer from the Residential Services Reimbursement Rate Increase appropriation for Local Purchase Funds.

Note: The Residential Services Reimbursement Rate Increase appropriation for Local Purchase Funds was \$1.3 million in FY 1997 - the appropriation is eliminated in FY 1998 with transfers to the State Cases and the Mental Health and Developmental Disabilities Community Services Fund appropriations.

5. **Managing and Delivering Services** - An increase of \$10.3 million (20.1%) and 12.0 (0.5%) FTE positions compared to estimated FY 1997. The major changes include:



- A. An increase of \$2.3 million (19.4%) for General Administration and a decrease of 16.0 (4.0%) FTE positions compared to estimated FY 1997. The change includes:
1. An increase of \$1.0 million due to building into the base budget the FY 1996 carry forward funds of \$1.0 million for computer hardware and software. The Department was permitted to carry forward up to \$1.0 million of the FY 1996 Medical Assistance Program reversion amount into FY 1997. Although these funds appear under the General Fund for FY 1998, the funds are included in the category of Other Funds in FY 1997. When considering all sources of funds, there is no change compared to the FY 1997 funding level.
 2. An increase of \$818,000 due to building into the base budget the Training and Technology Appropriation from FY 1997. Training and Technology was appropriated from the Rebuild Iowa Infrastructure Fund in FY 1997, and although they appear under the General Fund for FY 1998, the funds are included in the category of Other Funds in FY 1997. When considering all sources of funds, there is no change compared to the FY 1997 total appropriation.
 3. An increase of \$475,000 and a decrease of 6.00 FTE positions due to including funding for X-PERT in the General Fund. Although these funds appear under the General Fund for FY 1998, the funds are included in the category of Other Funds in FY 1997. When considering all sources of funds, there is a net decrease of \$315,000 and 6.00 FTE positions compared to the FY 1997 funding level. In prior years, the funding for the X-PERT automated eligibility determination system was funded from a separate appropriation. For FY 1998, the DHS has included the appropriation in the General Administration budget with the reasoning that because the X-PERT Program development stage will be completed by the beginning of FY 1998, it becomes an operational program properly belonging under the General Administration budget.

- B. An increase of \$8.0 million (20.3%) and 28.0 (1.4%) FTE positions for Field Operations compared to estimated FY 1997. The change includes:
1. An increase of \$7.4 million to maintain current services by restoring a \$13.0 million reduction in Title IV-A and IV-A/EA federal funds with State dollars and TANF (\$5.6 million) funds.
 2. An increase of \$726,000 and 20.0 FTE positions for additional line workers to help address an increased number of cases, bringing the non-abuse service caseload to 95 cases per worker in FY 1998.

Issues

The Human Services Appropriations Subcommittee may wish to examine the following issues:



- **Federal Welfare Reform:** As discussed previously, the Governor's FY 1998 budget recommendation includes revisions due to federal welfare reform. Federal welfare reform affects the Family Investment Program (FIP), Promise Jobs, Emergency Assistance funding in Child and Family Services, Child Support Recovery Unit, Field Operations, and General Administration. The Welfare Reform Advisory Group has recommended entering the federal block grant as of November 15, 1996, to take advantage of between \$5.0 and \$8.0 million in additional federal funds. The DHS estimates an additional \$24.1 million in federal funds will be received in FY 1998. However, controlling for additional State expenditures to offset lost federal funding, the net impact is additional federal funds of approximately \$6.0 million in FY 1998. The Department's budget request and Governor's recommendation have allocated a majority of the additional funds back into other programs within the DHS. The General Assembly will be faced with making significant changes in the programs and the use of the additional funding.
- **Iowa Welfare Reform:** Although the first five months of FY 1997 indicate substantial success in the reduction in caseloads and costs, the Subcommittee may wish to continue monitoring the ongoing success of welfare reform efforts in Iowa. Cost per case, caseload, and overall spending have been below budget for the first five months of FY 1997. With the capped nature of funding for the Family Investment Program under federal welfare reform, however, cost increases will not be shared with the federal government as they were under the old entitlement structure of the Program.
- **Child and Family Services Evaluation:** Several factors indicate that an evaluation may be in order. First, concerns have been expressed that placements of children into various service levels may be determined more by availability of resources than by the appropriate level of care required or potential cost savings of an appropriate placement. Second, the Program's FY

1998 budget and Governor's recommendation anticipate increased caseloads in all service areas. Third, the expenditure limitation on group care placements within regions may be affected by a pending court order in Polk County which the Department has appealed. The General Assembly may wish to require an evaluation of the effectiveness of specific services for the purposes of maximizing positive results for families.

- **Automated Eligibility Determination System:** The DHS has made a major commitment of resources to development of an automated eligibility determination system. The system was developed to respond to frequent changes in the eligibility rules for the Family Investment Program, Food Stamps, State Supplementary Assistance, and the Medical Assistance Program. Implementation of the system has been delayed several times. The current projected implementation timeframe for the system is the spring of 1997. The General Assembly may wish to continue oversight of the implementation of the system to ensure that cost avoidance and usability goals are met.
- **DHS Institutions:** The four Mental Health Institutes and the two State Hospital Schools have experienced substantial decreases in population over the last ten years. Since FY 1987, the average daily census at the Mental Health Institutes has decreased by 50.6%, from 753 clients to 372 clients. During the same time period, the State Hospital Schools' population decreased by 37.8%. The DHS budget request assumes no further reduction in population at the facilities. The General Assembly may wish to consider the cost-effectiveness and impact upon client services of consolidating the institutions, or alternative uses of space and resources at the institutions in efforts to increase revenues and thus decrease the overhead expenditures per client.



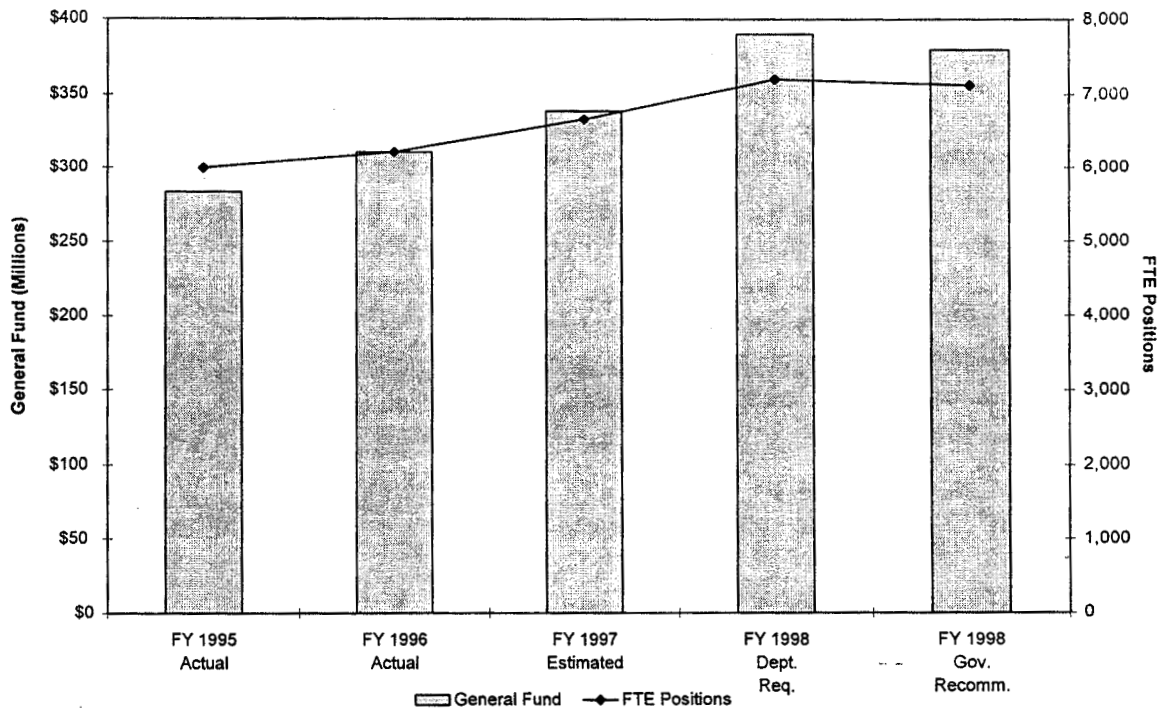
JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE

FY 1998 GOVERNOR'S RECOMMENDATIONS



The Governor is recommending \$379.8 million from the General Fund and 7,122.8 FTE positions for the eight departments of the Justice System Appropriations Subcommittee. This is an increase of \$41.0 million (12.1%) and 464.1 (7.0%) FTE positions compared to estimated FY 1997. The following graph illustrates the history of General Fund appropriations and FTE positions.

Justice System Appropriations Subcommittee



Significant General Fund Changes Recommended

1. Department of Justice

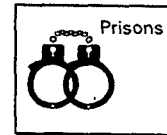
A. Office of the Attorney General

1. An increase of \$150,000 to fund Second Injury Fund cases.

2. An increase of \$28,000 to be used as a match for \$84,000 in federal funding through the STOP Violence Against Women Grant, which flows through the Governor's Alliance on Substance Abuse (GASA).
 3. *An increase of \$551,000 due to a transfer of funding from the Department of Corrections.*
- B. *Legal Services Poverty Grant - A decrease of \$950,000 to eliminate funding for the program.*

2. Department of Corrections

A. Institutions



1. An increase of \$18.7 million and 377.3 FTE positions for startup and operations of the Newton prison, Ft. Dodge prison, and Cellhouse 17 at Ft. Madison.
2. *A decrease of \$814,000 for savings from the Pay for Stay Program. The Program will require inmates who are employed through partnership arrangements with private companies to make payments toward the cost of their support.*
3. A decrease of \$77,000 to transfer the reimbursement to the Office of the Attorney General to the appropriation for that Office.
4. A decrease of 15.0 FTE positions for correctional officers. No funding is recommended to continue the employment of correctional officers hired in FY 1997 with funds carried forward from FY 1996, as required by HF 2472 (Justice System Appropriations Act).

B. Central Office

1. An increase of \$600,000 for inmate educational programming at the Newton and Ft. Dodge prisons.
2. An increase of \$75,000 to hire a consultant to conduct a needs assessment for future prison expansion.
3. An increase of \$3.2 million to fund the Phase II Corrections Expansion lease purchase payments from the General Fund. Payments of \$3.2 million were shifted from the General Fund to the Rebuild Iowa Infrastructure Fund in FY 1997.
4. *A decrease of \$474,000 to transfer the reimbursement to the Office of the Attorney General to the appropriation for that Office.*
5. *A decrease of \$175,000 for a one-time FY 1997 appropriation to the University of Northern Iowa Criminal Justice Program.*

C. Community-Based Corrections

1. An increase of \$160,000 and 1.5 FTE positions to replace expired federal funding from several Governor's Alliance on Substance Abuse (GASA) Grants.

2. An increase of \$110,000 for relocation and expansion of the Fifth District's Work Release Facilities. The current facility is being demolished for street expansion.
3. *A decrease of \$469,000 for savings from the Pay for Stay Program which requires probationers and parolees to make payments toward their supervision and treatment.*

3. Judicial Department



- A. An increase of \$109,000 and 2.0 FTE positions to establish a Planning Division for the Judicial Department.
- B. An increase of \$1.0 million and 39.8 FTE positions for Clerk of Court employees in 33 counties.
- C. An increase of \$939,000 and 14.0 FTE positions for five positions currently funded through the Enhanced Court Collections Fund, seven positions currently funded through the Court Technology Fund, and two additional Iowa Court Information System (ICIS) help desk employees. This also includes funding for a study of electronic data management systems for the Courts and increases in the cost of operating the ICIS in all 99 counties.
- D. An increase of \$1.1 million and 16.2 FTE positions for a District Court Judge, 5.4 Court Reporters, 4.8 Court Attendants, 3.0 Law Clerks, and 2.0 Financial Aides. This also includes a contingency fund for court-appointed counseling and funding for various remodeling projects throughout the State.
- E. An increase of \$84,000 and 2.0 FTE positions for Staff Attorneys for the Court of Appeals.
- F. An increase of \$250,000 and 2.5 FTE positions for State Court Administration, including the Court-Appointed Special Advocate (CASA) Program, education and training, the bar exam, and the Department match for two federal grants.
- G. An increase of \$80,000 for the Judicial Retirement Fund.
- H. *A decrease of \$970,000 compared to the Department's request due to a transfer to the Enhanced Court Collections Fund.*
- I. The Department estimated that no funding will be received from the Enhanced Court Collections Fund for FY 1998. The Governor is estimating that the Department will receive \$4.0 million from the Enhanced Court Collections Fund.

4. Iowa Law Enforcement Academy

- A. An increase of \$30,000 and 1.5 FTE positions for the State match for a STOP Violence Against Women federal grant (\$90,000 through the Governor's Alliance on Substance Abuse - GASA).
- B. A decrease of \$57,000 and 1.0 FTE position for savings from retirement and downward reclassification of positions.
- C. A decrease of \$30,000 for the Drug Abuse Resistance Education (D.A.R.E.) Coordinator. The federal funding through GASA expires in FY 1997, and the Program is to be self-sufficient in future years with funding from the \$5.00 Drug Abuse Resistance Education (D.A.R.E.) Surcharge on drug and alcohol offenses (estimated to be \$70,000 annually), donations, and funding from other sources.

5. Department of Public Defense

A. Military Division

- 1. An increase of \$169,000 and 1.0 FTE position from the General Fund for operational and emergency maintenance of State supported facilities. Funding for these activities was moved from the General Fund to the Rebuild Iowa Infrastructure Fund in FY 1997.
- 2. An increase of \$24,000 for increased utility costs at the National Guard armories.
- 3. An increase of \$73,000 and 5.00 FTE positions for the State match for increases in Army and Air Guard Operations and Maintenance Agreements.



- B. Emergency Management Division - An increase of \$55,000 and 1.00 FTE position for a hazard mitigation initiative.

6. Department of Public Safety

- A. Administration - An increase of \$55,000 for duplicate data lines required while local law enforcement agencies convert to Transmission Control Protocol/Internet Protocol (TCP/IP) from the current protocol for the Iowa On-line Warrants and Arrests (IOWA) system.

B. Iowa State Patrol

- 1. An increase of \$9.0 million due to a shift in funding sources. Funding for the Highway Patrol is being transferred from the Motor Vehicle Use Tax to the General Fund over a four-year period beginning in FY 1997 as required by SF 481 (Transportation and Capitals Appropriations Act of 1995). The Act appropriated \$9.0 million from the General Fund for FY 1997 and increased the appropriation annually by \$9.0 million over the next three years.



2. A decrease of \$88,000 due to reducing the contribution to the Police Officer Retirement (POR) Fund from 18.0% to 17.0%.

C. Division of Criminal Investigation

1. An increase of \$71,000 and 2.0 FTE positions for Gaming Enforcement Officers for the Clinton and Dubuque riverboats which began 24-hour operations in the spring of 1996.
2. An increase of \$77,000 for overtime for Special Agents.
3. A decrease of \$37,000 due to reducing the contribution to the Police Officer Retirement (POR) Fund from 18.0% to 17.0%.

- D. *Automated Fingerprint Identification System (AFIS) Maintenance - An increase of \$233,000, which was funded through the Rebuild Iowa Infrastructure Fund in FY 1997.*

7. Department of Inspections and Appeals

- A. Indigent Defense Program - An increase of \$3.3 million for court-appointed counsel for indigent representation.
- B. Public Defender's Office
1. An increase of \$410,000 due to support costs associated with the increased number of cases handled.
 2. An increase of \$868,000 and 10.0 FTE positions for additional public defenders.

Significant Other Fund Changes Recommended

1. **Department of Corrections** - *The Governor is recommending \$350,000 from the Technology Investment Account to install Iowa Communications Network (ICN) connections at the Anamosa and Rockwell City institutions. The appropriation will be considered by the Oversight and Communications Appropriations Subcommittee.*
2. **Iowa Law Enforcement Academy** - *The Governor is recommending \$75,000 from the Technology Investment Account for a Firearms Training System (F.A.T.S.) for shoot / don't shoot decision simulation. The appropriation will be considered by the Oversight and Communications Appropriations Subcommittee.*
3. **Department of Public Defense**
 - A. *The Governor is recommending \$200,000 from the Technology Investment Account for a computerized Preventative Maintenance System. The appropriation will be considered by the Oversight and Communications Appropriations Subcommittee.*
 - B. *The Governor is recommending \$400,000 from the Rebuild Iowa Infrastructure Fund (RIIF) for a variety of armory maintenance projects. This appropriation will be considered by the Transportation, Infrastructure, and Capitals Appropriations Subcommittee.*


4. Department of Public Safety

- A. *The Governor is recommending \$1.9 million from the Technology Investment Account to replace Department of Public Safety base repeaters and mobile units with new digital law enforcement radios.*
- B. *The Governor is recommending \$286,000 from the Technology Investment Account to establish a DNA Profiling Unit within the Department of Public Safety's Division of Criminal Investigation.*

Issues

The Justice System Appropriations Subcommittee may wish to examine the following issues:

- **Department of Corrections**
 - Prison overcrowding - Iowa prison population forecasts show the inmate population is growing by approximately 450 inmates per year. The addition of the three new 750-bed prisons will reduce overcrowding. By the end of FY 1998 after the Ft. Dodge prison is open, the prison population is projected to be 124.3% of capacity. Overcrowding will continue and is projected to reach 143.4% of design capacity by FY 2001. To keep pace with the current growth rate, a new prison comparable to the new Ft. Dodge facility will need to be added every two years.
 - Prison Education - Research suggests inmate education increases employability of released inmates and reduces recidivism. The Department is requesting a funding increase to extend educational programming to the new prison facilities, but not to expand programming at existing facilities.
 - House File 215 (Inmate Hard Labor Act) - All able prison inmates will be required to perform hard labor for 40 hours per week. The program is to be phased in and fully implemented by July 1, 1997.
 - Department Policy Changes
 - Inmate Transportation - The Department regularly transports inmates among prisons, both in-state and out-of-state, for programming, safety, and control reasons. After the escape of inmates being transported through Texas this past summer, the Department is revising policies and procedures.
 - Inmate Uniforms - The Department will be phasing out the blue workshirt and jeans as inmate uniforms and replacing them with a pullover shirt and pocketless pants as a safety and control measure.

- Medical Fee - The Department has implemented a policy that requires an inmate to pay a \$3 fee when requesting medical treatment as a usage-control measure.
 - Prison and Community-Based Correction District Departments
 - The Department neither employs staff to evaluate programs for effectiveness nor often contracts for program evaluations.
 - *The Governor is recommending that the Community-Based Corrections District Departments be placed under the direct authority of the Department of Corrections to provide accountability, improve policy coordination, and improve efficiency.*
- **Judicial Department**

 - Iowa Court Information System (ICIS) - During the 1996 Legislative Session, the Department indicated that funding would be sufficient to complete installation of the ICIS in all counties. The system needs to be reviewed for the progress made toward completion, efficiency, usefulness of the information in management decision-making, and ability to share information with other branches of government.
 - Collection of fines and fees - In FY 1996, the Court Enhanced Collections Fund was added to other programs intended to reduce uncollected fines and fees. During FY 1996, the Department received the maximum amount of \$4.0 million allowed by statute. These funds were carried forward to FY 1997. The efforts to improve collections and the use of the funds collected need to be reviewed.
 - Staffing and workload - In FY 1996 and FY 1997, the number of judges and support staff increased. Caseloads and staffing levels need to be reviewed to determine if further adjustments are needed.
 - *Increased Fines - The Governor is recommending implementation of a \$10 surcharge on all criminal fines and forfeitures, \$100 fines for underage gambling and drinking, and the distribution of 15.0% of State fines to counties.*
 - *HIV Testing for Persons Accused of Rape - The Governor is recommending that rape victims have the right to demand HIV testing of their alleged assailants prior to conviction.*
- **Iowa Law Enforcement Academy** - The cost and length of training for police officers has become a concern for communities around the State. An interim study committee was established to examine alternatives and improvements in the police officer training process. The interim committee's recommendations will be available to the Subcommittee for review.

- **Parole Board** - *The Governor is recommending a pilot project in the Sixth Judicial District to examine the effectiveness and cost savings from handling probation revocations administratively instead of returning the cases to the Courts.*
- **Department of Public Defense**
 - **Army and Air National Guard strength** - The Guard is attempting to attract new recruits and maintain full strength posture in a time when public interest in military service is declining. *The Governor is recommending a total of \$1.2 million to fund the National Guard Tuition Assistance Program which will pay up to 50.0% of the resident student tuition at a community college or State university or the equivalent amount at a private college.*
 - **Facilities maintenance** - A major emphasis for the Department's budget request continues to be meeting maintenance needs. The addition of new lands and construction of new buildings expands the Department's maintenance requirements.
 - **Armory ICN classrooms** - The Department, using funding from a federal grant, has installed ICN classrooms in armories around the State. The classrooms are available for local community use when not being used for military training.
- **Department of Public Safety - Gambling Enforcement** - The gambling industry may continue to expand in Iowa. Staffing for riverboats and for horse and dog race tracks with slot machines, along with associated background checks, may need to be reviewed. *The Governor is recommending that a five-year moratorium be placed on the issuance of additional riverboat licenses. The Governor is also recommending that riverboats be required to reimburse the State for all of the costs associated with enforcement activities provided by the Department of Public Safety. Riverboats are currently required to reimburse the State for 65.0% of the salary costs of Gaming Enforcement Officers and Special Agents assigned to the riverboats.*
- **Public Defender and Indigent Defense Program** - The costs of the Indigent Defense Program continue to grow. The caseloads need to be reviewed to determine the adequacy of staffing and funding.





TRANSPORTATION, INFRASTRUCTURE, AND CAPITALS APPROPRIATIONS SUBCOMMITTEE

FY 1998 GOVERNOR'S RECOMMENDATIONS

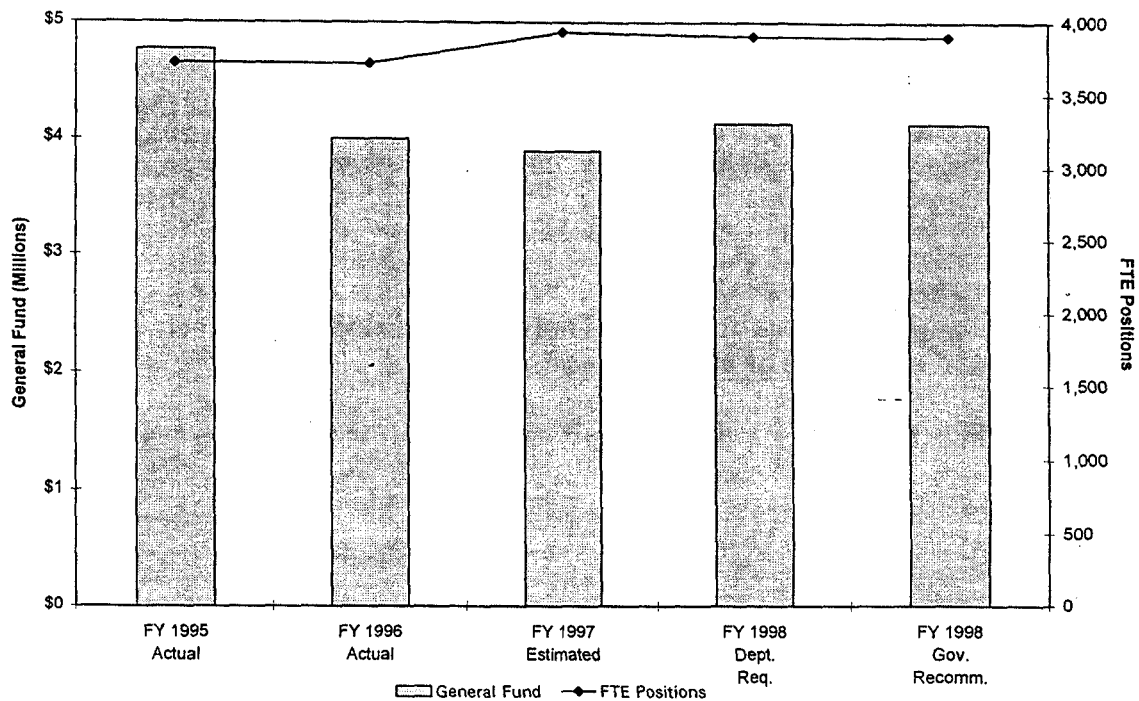


The Governor is recommending \$5.9 million from the General Fund for the Transportation, Infrastructure, and Capitals Appropriations Subcommittee. This is an increase of \$241,000 (4.2%) compared to estimated FY 1997.

Department of Transportation Operations

The Governor is recommending \$237.1 million for operations and 3,904.0 FTE positions for the Department of Transportation (DOT). This is an increase of \$3.9 million (1.7%) and a decrease of 26.0 FTE positions (0.7%) compared to estimated FY 1997. Of this amount, \$4.1 million is being recommended from the General Fund, an increase of \$241,000 (6.2%) and \$233.0 million from other funds, an increase of \$3.6 million (1.6%) compared to estimated FY 1997. The following tables illustrate the history of General Fund appropriations and FTE positions.

Transportation, Infrastructure, and Capitals Appropriations Subcommittee



Significant General Fund Changes Recommended

1. An increase of \$186,000 to provide additional funding for rail improvements through the Railroad Assistance and Rail Economic Development Programs.
2. An increase of \$72,000 to provide additional funding for the State Aviation Program.

Significant Other Fund Changes Recommended

1. An increase of \$154,000 for a projected 5.0% increase in telecommunication costs.
2. An increase of \$173,000 for software license renewals.
3. An increase of \$110,000 for facility lease costs.
4. An increase of \$110,000 for utility costs.
5. An increase of \$175,000 for the purchase of additional computer software.
6. An increase of \$52,000 for maintenance contract increases.
7. An increase of \$66,000 for the increased cost of paper, freight, and postage.
8. An increase of \$1.4 million for salary annualization.
9. An increase of \$130,000 for increased replacement costs of equipment from the Materials and Equipment Replacement Revolving Fund.
10. *An increase of \$1.2 million for technology enhancements related to the implementation of recommendations made by the Governor's Blue Ribbon Transportation Task Force.*

Issues

The Transportation, Infrastructure, and Capitals Appropriations Subcommittee may wish to examine the following issues pertaining to the DOT's budget request:

- Status of the implementation of the Governor's Transportation Task Force recommendations. Of the 39 recommendations, seven have been accomplished, 11 are in the process of being implemented, and 21 are in various stages of development.
- Potential cost savings and public benefit associated with the DOT's public/private partnership initiatives. The Department is currently developing an Interstate Rest Area Partner Proposal in Worth County which will allow private businesses and an Iowa Welcome Center to locate near a proposed interstate rest stop. The DOT estimates a savings of \$3.4 million over a 30-year period.

The DOT is also pursuing the possibility of collocating new highway maintenance facilities with other units of government or private business.

- The impact of the Information Technology Services Enterprise on the operations of the DOT. The DOT is requesting the transfer of 26.0 FTE positions to the new agency. The Enterprise will bill the DOT for services provided.
- Review of the DOT's utilization of FTE positions. During the 1996 Legislative Session, the Transportation, Infrastructure, and Capitals Appropriations Subcommittee expressed concern that the Department maintained a large number of vacant FTE positions and requested the LFB to study the issue during the 1996 interim.
- Examination of the Five-Year Transportation Improvement Program including the projected funding from the Road Use Tax Fund and federal-aid highway program, and the effect of policies that will result from the implementation of Iowa In Motion and the Access Iowa Highway Program.

Capital Projects

The Governor is recommending \$73.9 million for capital projects from three funding sources. The following table shows the recommendations by funding source and agency.

Governor's FY 1998 Recommendations

Capital Projects

(Dollars in Millions)

State Agency	General Fund	Infrastructure Fund	Primary Road Fund	IPERS Fund	Total
Cultural Affairs	\$	\$ 1.0	\$	\$	\$ 1.0
Economic Development		4.6			4.6
General Services		22.5			22.5
Natural Resources	1.8	2.1			3.9
Personnel				2.7	2.7
Public Defense		0.4			0.4
Regents		8.3			8.3
State Fair Authority		1.0			1.0
Telecomm. & Tech. Comm.		22.6			22.6
Transportation		1.0	4.5		5.5
Veterans Affairs		1.4			1.4
Total	\$ 1.8	\$ 65.0	\$ 4.5	\$ 2.7	\$ 73.9

Note: Totals may not sum due to rounding.

Significant Capital Project Recommendations


1. Department of Cultural Affairs:

- A. \$500,000 from the Rebuild Iowa Infrastructure Fund to complete 10,000 square feet of undeveloped exhibition space in the New Historical Building.
- B. \$500,000 from the Rebuild Iowa Infrastructure Fund for the construction of a museum/discovery center along the Mississippi River in Dubuque.

2. Department of Economic Development:

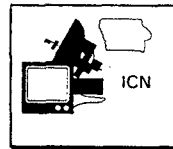
- A. \$500,000 from the Rebuild Iowa Infrastructure Fund for construction of new welcome centers in Polk County near Living History Farms and near the City of Okoboji.
- B. \$4.1 million from the Rebuild Iowa Infrastructure Fund for the Physical Infrastructure Assistance Program.

3. Department of General Services:

- A. \$4.4 million from the Rebuild Iowa Infrastructure Fund for exterior restoration of the State Capitol Building.
- B. \$3.1 million from the Rebuild Iowa Infrastructure Fund for continued interior restoration of the State Capitol Building including removal of the mezzanines; a new electrical distribution system; new heating, ventilation, and air conditioning systems; and a new sprinkler system. 
- C. \$4.1 million from the Rebuild Iowa Infrastructure Fund for renovation of the Old Historical Building.
- D. \$2.5 million from the Rebuild Iowa Infrastructure Fund to complete renovation of the Lucas Building.
- E. \$400,000 from the Rebuild Iowa Infrastructure Fund for repair of the pedestrian tunnel between the Lucas and Capitol Buildings.
- F. \$6.0 million from the Rebuild Iowa Infrastructure Fund for major maintenance needs of State facilities and institutions throughout the State.
- G. \$500,000 from the Rebuild Iowa Infrastructure Fund to conduct a survey of all State owned property.
- H. \$1.3 million from the Rebuild Iowa Infrastructure Fund for moving expenses associated with the relocation of employees on the Capitol Complex.

- 4. **Department of Natural Resources:** \$2.1 million from the Rebuild Iowa Infrastructure Fund to renovate park facilities built through the Civilian Conservation Corps (CCC) and Work Progress Administration (WPA) programs throughout the State.

5. **Department of Personnel:** \$2.7 million from the Iowa Public Employees Retirement System (IPERS) Fund for construction of a new IPERS headquarters to replace the leased facility.
6. **Department of Public Defense:** \$400,000 for ongoing maintenance of National Guard Armories throughout the State.
7. **Board of Regents:** \$8.3 million for continued construction and improvements to facilities at the three Regent's institutions.
8. **State Fair Authority:** \$1.0 million from the Rebuild Iowa Infrastructure Fund for improvements to the Iowa State fairgrounds.
9. **Iowa Telecommunications and Technology Commission:** \$22.6 million from the Rebuild Iowa Infrastructure Fund for the third year of Part III implementation.
10. **Department of Transportation:**
 - A. \$3.5 million from the Primary Road Fund for construction of maintenance garages. The projects include completion of the Southeast Des Moines and Anamosa facilities which received partial funding in FY 1997, and replacement of facilities in Charles City and Sheldon.
 - B. \$400,000 from the Primary Road Fund for maintenance garage roofing projects throughout the State.
 - C. \$400,000 from the Primary Road Fund for wastewater management projects at maintenance garages throughout the State.
 - D. \$1.0 million from the Rebuild Iowa Infrastructure Fund for the Recreational Trails Program.
11. **Commission on Veterans Affairs:** \$1.4 million from the Rebuild Iowa Infrastructure Fund for expansion of the food preparation and dining room areas at the Iowa Veterans Home.



Issues

The Transportation, Capitals, and Infrastructure Appropriations Subcommittee may wish to examine the following issues pertaining to capital projects.

- Review of the most recent estimates of the Rebuild Iowa Infrastructure Fund. The current estimate of total resources available to the Fund in FY 1998 is \$99.5 million. The 1996 General Assembly has appropriated \$29.0 million for FY 1998. In addition, the definition of Vertical Infrastructure created by the General Assembly specifically allows for funding Part III of the ICN and the Recreational Trails Program from the Fund, which will require approximately \$25.0 million in FY 1998.

- Review of the Five-Year Capital Projects Priority Plan for FY 1998 - FY 2002 to identify new FY 1998 requests that will require a commitment of future appropriations as well as other future funding needs.
- Review of the plan to relocate employees on the Capitol Complex due to the elimination of office space as a result of interior restoration of the Capitol Building.
- Review of the capital improvement needs of the Iowa State Fairgrounds.
- Review of the Local Infrastructure Interim Study Committee recommendations which include: the establishment of a local infrastructure revolving fund that would receive a \$100.0 million General Fund appropriation, a General Fund appropriation of \$20.0 million for infrastructure improvements of K-12 school districts, and an increase in the tax rate on gross receipts of gambling revenue from racetracks and riverboats to 36.0% beginning in FY 1998. The tax increase would generate approximately \$85.0 million to the Rebuild Iowa Infrastructure Fund to be used for both State and local infrastructure projects.
- *Review of the Governor's recommendation to shift funding currently designated for the Rebuild Iowa Infrastructure Fund to the Technology Investment Account for the purpose of funding technology improvements. The Governor is recommending shifting the estimated FY 1997 ending balance of \$15.0 million and all gaming receipts in excess of \$100.0 million to the Technology Investment Account. This will result in a total decrease of \$33.0 million to the Rebuild Iowa Infrastructure Fund in FY 1998.*
- *Review of the Governor's recommendation to provide funding for local corrections facilities through the establishment of a \$10 surcharge on criminal fines and a \$100 fine for underage gambling and drinking.*
- *Review of the Governor's recommendation to provide funding for local corrections facilities through the establishment of a \$10 surcharge on criminal fines and a \$100 fine for underage gambling and drinking.*
- *Review of the Governor's recommendations to create a Rebuild Iowa Infrastructure Board that would provide infrastructure funding recommendations to the Governor and the General Assembly. The Governor and General Assembly would be allowed to veto projects on the Board's funding list but would not be allowed to add projects to the list.*
- *Review of the Governor's recommendation to dedicate 30.0% of the Rebuild Iowa Infrastructure Fund revenues to the Board of Regents beginning in FY 1999. It is estimated that this would provide \$19.5 million in funding in FY 1999 to the Board of Regents.*

OVERSIGHT AND COMMUNICATIONS APPROPRIATIONS SUBCOMMITTEE

The Oversight and Communications Appropriations Subcommittee will be reviewing the budget request recommended by the Governor for the creation of a new Department of Technology. If the Department is created as the Governor has recommended, it would include two divisions:

- Iowa Communications Network (ICN) Division
- Iowa Technology Services Division (ITS) Division

Each division will have its own director. The Director of the Information Services Technology Division will report directly to the Governor and the ICN Director will continue to report to the Iowa Telecommunications and Technology Commission (ITTC). There is currently no position of director recommended to oversee the entire department and insure coordination between the two divisions.

For FY 1998, the Governor is recommending \$4.8 million and 156.0 FTE positions from the General Fund for the Information Technology Services Enterprise. The recommendation includes the transfer of funding, not new funding, from the Information Services Division of the Department of General Services. The Governor is also recommending \$11.6 million to come from the Technology Investment Account. The Governor is asking the General Assembly to establish this Account for FY 1998.

The Governor is recommending \$18.1 million and 78.5 FTE positions from the General Fund for various activities of the ICN. Additionally, the Governor is recommending \$22.6 million from the Rebuild Iowa Infrastructure Fund for the third year of Part III implementation to connect a minimum of 110 new sites.

The Subcommittee will also review the Governor's recommendation for the creation of a Technology Investment Account and recommended 20 separate appropriations from the Account. The Subcommittee may also review various programs and policies of departments assigned to other Subcommittees, for the purpose of improving the efficiency and effectiveness of State government operations.

(NOTE: For additional information on the history of the ICN and new department and related budget requests, see the Department of Technology Section on page 54 of this report.)

APPENDIX A



FY 1998 GENERAL FUND GOVERNOR'S RECOMMENDATIONS

GENERAL FUND APPROPRIATIONS

Summary	Actual FY 1996	Estimated FY 1997	Dept Req FY 1998	Gov Recomm FY 1998	Gov Rec vs FY 1997	Percent Change
	(1)	(2)	(3)	(4)	(5)	(6)
Admin. & Regulation	\$ 87,348,003	\$ 85,638,738	\$ 92,065,896	\$ 75,912,370	\$ -9,726,368	-11.4%
Ag. & Natural Resources	44,660,523	46,970,277	56,439,612	47,815,637	845,360	1.8%
Economic Development	39,693,399	37,271,985	41,730,624	37,689,819	417,834	1.1%
Education	774,592,892	809,302,576	847,453,763	825,980,292	16,677,716	2.1%
Health & Human Rights	82,441,671	84,666,535	89,643,758	86,451,753	1,785,218	2.1%
Human Services	727,693,728	747,343,734	788,541,910	763,130,819	15,787,085	2.1%
Justice System	310,478,641	338,722,973	390,321,984	379,759,282	41,036,309	12.1%
Trans., Infra., & Capitals	5,600,000	5,693,794	15,278,483	5,934,650	240,856	4.2%
Oversight & Communications	20,404,400	17,104,000	37,191,374	22,929,718	5,825,718	34.1%
Unassigned Standings	1,762,527,204	1,962,041,729	2,071,433,464	2,098,451,677	136,409,948	7.0%
	<u>\$ 3,855,440,461</u>	<u>\$ 4,134,756,341</u>	<u>\$ 4,430,100,868</u>	<u>\$ 4,344,056,017</u>	<u>\$ 209,299,676</u>	5.1%

Administration and Regulation Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Auditor of State</u>						
Auditor - General Office	\$ 1,327,533	\$ 1,344,845	\$ 1,411,500	\$ 1,393,355	\$ 48,510	3.6%
<u>Ethics & Campaign Discl.</u>						
Campaign Finance	\$ 382,824	\$ 429,837	\$ 478,237	\$ 462,437	\$ 32,600	7.6%
<u>Commerce, Department of</u>						
Commerce Administration	\$ 233,019	\$ 238,787	\$ 1,525,711	\$ 966,256	\$ 727,469	304.7%
Alcoholic Beverages Div.	1,878,379	1,861,410	1,534,515	1,510,485	-350,925	-18.9%
Banking Division	5,437,930	5,603,423	5,682,018	5,668,819	65,396	1.2%
Credit Union Division	1,058,893	1,098,891	1,069,162	1,066,000	-32,891	-3.0%
<u>Insurance Division</u>						
Insurance Division	2,986,623	3,048,591	3,262,976	2,959,517	-89,074	-2.9%
Ins. Actuarial Study	25,000	0	0	0	0	
Physician Utiliz. Study	0	25,000	0	0	-25,000	-100.0%
Total Insurance Division	3,011,623	3,073,591	3,262,976	2,959,517	-114,074	-3.7%
Professional Lic. Div.	913,558	940,512	850,443	849,044	-91,468	-9.7%
Utilities Division	5,380,169	5,428,197	5,397,409	5,278,187	-150,010	-2.8%
Total Commerce, Department of	\$ 17,913,571	\$ 18,244,811	\$ 19,322,234	\$ 18,298,308	\$ 53,497	0.3%
<u>Legislative Branch</u>						
Uniform State Laws	\$ 20,803	\$ 22,741	\$ 23,350	\$ 23,350	\$ 609	2.7%
NCSL	87,719	91,427	94,922	94,922	3,495	3.8%
Claims for Var. Persons	25,239	0	0	0	0	
Total Legislative Branch	\$ 133,761	\$ 114,168	\$ 118,272	\$ 118,272	\$ 4,104	3.6%

Administration and Regulation Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>General Services, Dept of</u>						
Gen Services Admin.	\$ 1,176,948	\$ 1,218,689	\$ 2,498,434	\$ 2,202,408	\$ 983,719	80.7%
Information Services Div.	5,588,408	5,706,871	0	0	-5,706,871	-100.0%
Property Management	3,971,388	4,088,835	4,229,858	4,286,409	197,574	4.8%
Capitol Planning Comm.	2,000	2,000	52,000	2,000	0	0.0%
Utilities	2,116,857	2,001,951	2,226,037	2,148,942	146,991	7.3%
Terrace Hill Operations	165,356	188,701	190,512	199,512	10,811	5.7%
Rental Space	607,955	656,104	656,104	656,104	0	0.0%
Infrastructure Board	0	0	0	10,500	10,500	
Relocation/Transition	300,000	0	1,300,000	0	0	0.0%
Total General Services, Dept of	\$ 13,928,912	\$ 13,863,151	\$ 11,152,945	\$ 9,505,875	\$ -4,357,276	-31.4%
<u>Governor</u>						
General Office	\$ 1,108,739	\$ 1,194,608	\$ 1,220,799	\$ 1,220,799	\$ 26,191	2.2%
Expense of Office	2,416	0	0	0	0	0.0%
Terrace Hill Quarters	66,595	70,320	71,829	71,829	1,509	2.1%
Ad Hoc Committee Expense	1,610	0	0	0	0	0.0%
Admin. Rules Coordinator	108,336	115,958	122,910	122,910	6,952	6.0%
Natl. Governor's Assoc.	74,435	62,435	64,872	64,872	2,437	3.9%
Total Governor	\$ 1,362,131	\$ 1,443,321	\$ 1,480,410	\$ 1,480,410	\$ 37,089	2.6%
<u>Inspections & Appeals</u>						
<u>Inspections & Appeals</u>						
Finance and Services Div.	\$ 490,109	\$ 509,931	\$ 517,990	\$ 517,990	\$ 8,059	1.6%
Audits Division	369,663	376,875	452,111	452,111	75,236	20.0%
Appeals and Fair Hearings	271,317	174,320	244,614	244,614	70,294	40.3%
Investigations Division	729,116	779,280	778,408	778,408	-872	-0.1%
Health Facilities Div.	1,663,070	1,817,003	1,861,841	1,820,451	3,448	0.2%
Inspections Division	600,212	617,418	622,783	622,783	5,365	0.9%

Administration and Regulation Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Inspections & Appeals (cont)</u>						
Inspections & Appeals (cont)						
Employment Appeal Board	33,516	33,884	33,683	33,683	-201	-0.6%
Foster Care Review Board	547,003	551,912	554,407	554,407	2,495	0.5%
Total Inspections & Appeals	4,704,006	4,860,623	5,065,837	5,024,447	163,824	3.4%
Racing Commission						
Racetracks	1,802,378	1,817,151	1,883,880	2,055,193	238,042	13.1%
Riverboats	877,057	1,203,134	1,288,792	1,253,092	49,958	4.2%
Total Racing Commission	2,679,435	3,020,285	3,172,672	3,308,285	288,000	9.5%
Total Inspections & Appeals	\$ 7,383,441	\$ 7,880,908	\$ 8,238,509	\$ 8,332,732	\$ 451,824	5.7%
<u>Management, Department of</u>						
Management-General Office	\$ 2,078,605	\$ 2,132,068	\$ 2,081,173	\$ 2,081,173	\$ -50,895	-2.4%
Law Enforcement Training	47,500	47,500	47,500	47,500	0	0.0%
Council of State Govts.	75,500	75,500	80,031	80,031	4,531	6.0%
Salary Adjustment	3,286,338	0	0	-6,300,000	-6,300,000	
Total Management, Department of	\$ 5,487,943	\$ 2,255,068	\$ 2,208,704	\$ -4,091,296	\$ -6,346,364	-281.4%
<u>Personnel, Department of</u>						
Operations	\$ 1,054,816	\$ 1,015,595	\$ 2,004,236	\$ 1,247,218	\$ 231,623	22.8%
Program Delivery	1,268,773	1,305,856	1,435,997	1,330,232	24,376	1.9%
Program Admin. & Develop.	1,474,002	1,528,594	1,757,106	1,524,422	-4,172	-0.3%
Workers' Compensation	5,884,740	5,884,740	6,528,400	5,884,740	0	0.0%
Total Personnel, Department of	\$ 9,682,331	\$ 9,734,785	\$ 11,725,739	\$ 9,986,612	\$ 251,827	2.6%

Administration and Regulation Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Revenue & Finance, Dept.</u>						
Compliance	\$ 10,797,595	\$ 10,965,995	\$ 10,429,552	\$ 10,302,325	\$ -663,670	-6.1%
State Financial Mgmt.	9,497,781	9,911,566	13,340,455	10,613,764	702,198	7.1%
Internal Resources Mgmt.	6,108,616	6,095,373	8,722,426	6,072,663	-22,710	-0.4%
Collection Costs & Fees	43,399	45,000	45,000	45,000	0	0.0%
Total Revenue & Finance, Dept.	\$ 26,447,391	\$ 27,017,934	\$ 32,537,433	\$ 27,033,752	\$ 15,818	0.1%
<u>Secretary of State</u>						
Admin. & Elections	\$ 551,645	\$ 374,715	\$ 381,440	\$ 381,440	\$ 6,725	1.8%
Business Services	1,565,479	1,786,070	1,770,796	1,770,796	-15,274	-0.9%
Official Register Print	60,000	0	60,000	60,000	60,000	
Total Secretary of State	\$ 2,177,124	\$ 2,160,785	\$ 2,212,236	\$ 2,212,236	\$ 51,451	2.4%
<u>State-Federal Relations</u>						
General Office	\$ 238,548	\$ 246,531	\$ 252,663	\$ 252,663	\$ 6,132	2.5%
<u>Treasurer of State</u>						
Treasurer-General Office	\$ 882,493	\$ 902,594	\$ 927,014	\$ 927,014	\$ 24,420	2.7%
Total Admin. & Regulation	\$ 87,348,003	\$ 85,638,738	\$ 92,065,896	\$ 75,912,370	\$ -9,726,368	-11.4%
Operations	\$ 81,419,864	\$ 79,708,998	\$ 85,492,496	\$ 69,982,630	\$ -9,726,368	-12.2%
Grant and Aid	\$ 5,884,740	\$ 5,884,740	\$ 6,528,400	\$ 5,884,740	\$ 0	0.0%
Standings	\$ 43,399	\$ 45,000	\$ 45,000	\$ 45,000	\$ 0	0.0%
	\$ 87,348,003	\$ 85,638,738	\$ 92,065,896	\$ 75,912,370	\$ -9,726,368	-11.4%

Agriculture and Natural Resources Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Ag. & Land Stewardship</u>						
Administration Division						
Dairy Trade Prac.-Admin.	\$ 62,772	\$ 64,698	\$ 64,945	\$ 64,945	\$ 247	0.4%
Commercial Feed-Admin.	62,772	64,697	64,945	64,945	248	0.4%
Fertilizer - Admin.	66,755	66,846	66,969	66,969	123	0.2%
Administrative Division	<u>1,845,156</u>	<u>1,853,750</u>	<u>2,813,943</u>	<u>1,828,291</u>	<u>-25,459</u>	<u>-1.4%</u>
Total Administration Division	2,037,455	2,049,991	3,010,802	2,025,150	-24,841	-1.2%
Regulatory Division						
Regulatory Division	3,820,353	3,923,369	4,328,104	3,938,176	14,807	0.4%
Milk Fund - Regulatory	<u>647,644</u>	<u>657,210</u>	<u>656,801</u>	<u>656,801</u>	<u>-409</u>	<u>-0.1%</u>
Total Regulatory Division	4,467,997	4,580,579	4,984,905	4,594,977	14,398	0.3%
Laboratory Division						
Commercial Feed - Lab.	739,915	758,361	760,236	760,236	1,875	0.2%
Pesticide - Laboratory	629,098	646,468	647,203	647,203	735	0.1%
Fertilizer - Laboratory	1,289,891	1,307,640	1,482,699	1,307,865	225	0.0%
Laboratory Division	<u>797,336</u>	<u>869,979</u>	<u>1,033,601</u>	<u>824,833</u>	<u>-45,146</u>	<u>-5.2%</u>
Total Laboratory Division	3,456,240	3,582,448	3,923,739	3,540,137	-42,311	-1.2%
Soil Conservation Div.	5,846,838	6,110,299	7,755,234	6,041,341	-68,958	-1.1%
Agricultural Programs						
Farmer's Market Coupon	215,637	216,314	216,113	216,113	-201	-0.1%
Pseudorabies Eradication	900,200	900,300	900,300	900,400	100	0.0%
Interstate Grain Compact	80,000	0	0	0	0	0.0%
Organic Nutrient Mgt.	450,000	0	0	0	0	0.0%
Soil Conserv Cost Share	5,918,606	6,461,850	7,961,850	6,461,850	0	0.0%
Loess Hills Dev. & Cons.	<u>0</u>	<u>0</u>	<u>400,000</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Total Agricultural Programs	<u>7,564,443</u>	<u>7,578,464</u>	<u>9,478,263</u>	<u>7,578,363</u>	<u>-101</u>	<u>0.0%</u>
Total Ag. & Land Stewardship	\$ 23,372,973	\$ 23,901,781	\$ 29,152,943	\$ 23,779,968	\$ -121,813	-0.5%

Agriculture and Natural Resources Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Natural Resources, Dept.</u>						
Administrative Services	\$ 1,884,780	\$ 2,046,871	\$ 2,155,343	\$ 2,105,343	\$ 58,472	2.9%
Parks & Preserves	5,565,094	5,678,408	5,928,615	5,728,615	50,207	0.9%
Forestry	1,498,405	1,542,486	1,714,416	1,539,416	-3,070	-0.2%
Energy & Geology	1,681,033	1,713,351	1,723,286	1,723,286	9,935	0.6%
Environmental Protection	1,642,927	1,947,069	3,624,698	2,798,698	851,629	43.7%
Non-SF546 Marine Fuel Tax	200,000	0	0	0	0	0.0%
Water Quality Project	404,000	729,000	729,000	729,000	0	0.0%
Marine Fuel GF to Parks	411,311	411,311	411,311	411,311	0	0.0%
REAP Appropriation	8,000,000	9,000,000	11,000,000	9,000,000	0	0.0%
Total Natural Resources, Dept.	\$ 21,287,550	\$ 23,068,496	\$ 27,286,669	\$ 24,035,669	\$ 967,173	4.2%
Total Ag. & Natural Resources	\$ 44,660,523	\$ 46,970,277	\$ 56,439,612	\$ 47,815,637	\$ 845,360	1.8%
Operations	\$ 29,191,717	\$ 30,608,127	\$ 36,177,462	\$ 31,453,387	\$ 845,260	2.8%
Grant and Aid	\$ 7,468,806	\$ 7,362,150	\$ 9,262,150	\$ 7,362,250	\$ 100	0.0%
Standings	\$ 8,000,000	\$ 9,000,000	\$ 11,000,000	\$ 9,000,000	\$ 0	0.0%
	\$ 44,660,523	\$ 46,970,277	\$ 56,439,612	\$ 47,815,637	\$ 845,360	1.8%

Economic Development Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Economic Dev., Dept. of</u>						
Administrative Services						
General Administration	\$ 925,422	\$ 1,438,574	\$ 1,461,470	\$ 1,461,470	\$ 22,896	1.6%
Primary Research	313,599	0	0	0	0	0.0%
Film Office	186,226	200,703	228,493	228,493	27,790	13.8%
Total Administrative Services	1,425,247	1,639,277	1,689,963	1,689,963	50,686	3.1%
Business Development						
Business Development	3,000,000	3,906,883	4,241,397	3,916,397	9,514	0.2%
Small Business Program	365,000	508,532	795,463	445,463	-63,069	-12.4%
Procurement Office	90,000	98,157	101,585	101,585	3,428	3.5%
Targeted Small Bus. Inc.	40,000	0	0	0	0	0.0%
Strategic Investment Fund	7,706,502	6,719,842	6,727,466	6,727,466	7,624	0.1%
Total Business Development	11,201,502	11,233,414	11,865,911	11,190,911	-42,503	-0.4%
Community & Rural Develop						
Community Assistance	623,484	584,648	639,741	589,741	5,093	0.9%
Mainstreet/Rural Main St.	410,000	416,113	418,931	418,931	2,818	0.7%
Rural Development Prog.	607,641	715,267	965,055	720,055	4,788	0.7%
Commun. Dev. Block Grant	394,709	408,507	412,505	412,505	3,998	1.0%
Housing Develop. Assist.	100,000	1,300,000	1,300,000	1,300,000	0	0.0%
DED Housing Programs	0	0	500,000	750,000	750,000	
Total Community & Rural Develop	2,135,834	3,424,535	4,236,232	4,191,232	766,697	22.4%
International Division						
International Trade	757,500	1,032,905	1,267,360	1,217,360	184,455	17.9%
Foreign Trade Offices	590,000	595,250	701,150	651,150	55,900	9.4%
Export Trade Asst. Prog.	275,000	275,000	275,000	275,000	0	0.0%
Ag. Prod. Ad. Council	1,300	1,300	1,300	1,300	0	0.0%
Total International Division	1,623,800	1,904,455	2,244,810	2,144,810	240,355	12.6%

Economic Development Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Economic Dev., Dept. of (cont)</u>						
Tourism Division						
Tourism Operations	716,000	833,255	772,037	772,037	-61,218	-7.3%
Tourism Advertising	4,687,000	2,737,000	4,807,000	4,177,000	1,440,000	52.6%
Welcome Center Program	240,000	100,000	0	0	-100,000	-100.0%
Total Tourism Division	5,643,000	3,670,255	5,579,037	4,949,037	1,278,782	34.8%
Workforce Development Div						
Youth Work Force Conserv.	942,645	0	0	0	0	0.0%
Workforce Invest. Prog.	903,000	0	0	0	0	0.0%
Labor Management Councils	100,181	0	0	0	0	0.0%
Total Workforce Development Div	1,945,826	0	0	0	0	0.0%
Wallace Foundation	1,957,270	0	0	0	0	0.0%
Iowa Seed Capital Corp.	497,503	0	0	0	0	0.0%
Housing Improvement Fund	1,510,000	400,000	0	0	-400,000	-100.0%
Partner State Program	100,000	100,000	112,500	112,500	12,500	12.5%
Total Economic Dev., Dept. of	\$ 28,039,982	\$ 22,371,936	\$ 25,728,453	\$ 24,278,453	\$ 1,906,517	8.5%

Economic Development Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>IA Workforce Development</u>						
Labor Serv.	\$ 2,515,572	\$ 2,791,292	\$ 3,196,491	\$ 2,850,551	\$ 59,259	2.1%
Industrial Serv.	2,135,994	2,157,326	2,267,609	2,258,254	100,928	4.7%
Workforce Dev. Coord.	115,096	142,154	145,534	145,534	3,380	2.4%
Workforce Dev. Initiative	464,000	275,000	760,000	0	-275,000	-100.0%
Mentoring	0	73,173	73,051	73,051	-122	-0.2%
Youth Conservation Corps	0	1,720,268	920,853	920,853	-799,415	-46.5%
Workforce Invest. Prog.	0	904,489	904,831	479,831	-424,658	-47.0%
Occupational Wage System	0	176,567	66,250	66,250	-110,317	-62.5%
Labor Management Councils	0	100,446	150,935	100,935	489	0.5%
IWD - Year 2000	0	0	652,000	0	0	0.0%
Total IA Workforce Development	\$ 5,230,662	\$ 8,340,715	\$ 9,137,554	\$ 6,895,259	\$ -1,445,456	-17.3%
<u>Public Emp. Relations</u>						
General Office	\$ 766,586	\$ 799,934	\$ 818,685	\$ 818,685	\$ 18,751	2.3%
<u>Regents, Board of</u>						
SUI Advanced Drug Devel.	\$ 318,299	\$ 324,011	\$ 252,757	\$ 250,925	\$ -73,086	-22.6%
<u>Iowa State University</u>						
ISU Small Bus. Center	1,214,470	1,221,320	1,242,824	1,222,880	1,560	0.1%
Institute for Phys. Res.	4,123,400	4,214,069	4,550,351	4,223,617	9,548	0.2%
Total Iowa State University	5,337,870	5,435,389	5,793,175	5,446,497	11,108	0.2%
Total Regents, Board of	\$ 5,656,169	\$ 5,759,400	\$ 6,045,932	\$ 5,697,422	\$ -61,978	-1.1%
Total Economic Development	\$ 39,693,399	\$ 37,271,985	\$ 41,730,624	\$ 37,689,819	\$ 417,834	1.1%
Operations	\$ 39,298,690	\$ 36,863,478	\$ 41,318,119	\$ 37,277,314	\$ 413,836	1.1%
Grant and Aid	\$ 394,709	\$ 408,507	\$ 412,505	\$ 412,505	\$ 3,998	1.0%
	\$ 39,693,399	\$ 37,271,985	\$ 41,730,624	\$ 37,689,819	\$ 417,834	1.1%

Education Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>College Aid Commission</u>						
Operations and Loan Prog.						
Scholarship & Grant Ad.	\$ 328,974	\$ 351,782	\$ 354,787	\$ 335,847	\$ -15,935	-4.5%
Osteopathic Univ - Loans	379,260	379,260	379,260	379,260	0	0.0%
Osteopathic - Prim. Care	395,000	395,000	395,000	395,000	0	0.0%
Student Aid Programs	1,469,790	1,397,790	1,600,000	1,397,790	0	0.0%
Nation Guard Assistance	0	0	1,000,000	1,175,000	1,175,000	
Total Operations and Loan Prog.	2,573,024	2,523,832	3,729,047	3,682,897	1,159,065	45.9%
Standing Loan & Grant Prg						
Tuition Grant Standing	35,664,750	38,664,750	41,664,750	41,664,750	3,000,000	7.8%
Scholarship Prog. Stand.	474,800	474,800	474,800	474,800	0	0.0%
Voc. Tech. Grant Standing	1,424,780	1,608,257	1,875,000	1,608,257	0	0.0%
Work-Study Prog. Standing	2,950,000	2,950,000	2,950,000	2,950,000	0	0.0%
Total Standing Loan & Grant Prg	40,514,330	43,697,807	46,964,550	46,697,807	3,000,000	6.9%
Total College Aid Commission	\$ 43,087,354	\$ 46,221,639	\$ 50,693,597	\$ 50,380,704	\$ 4,159,065	9.0%
<u>Cultural Affairs, Dept.</u>						
Iowa Arts Council	\$ 1,055,706	\$ 1,092,167	\$ 1,182,167	\$ 1,132,167	\$ 40,000	3.7%
State Historical Society	2,501,824	2,697,974	2,875,905	2,790,905	92,931	3.4%
Historical Sites	230,605	389,044	618,917	583,917	194,873	50.1%
Cultural Affairs - Admin.	218,858	254,144	223,920	223,920	-30,224	-11.9%
Cultural Grants	706,036	708,300	708,680	708,680	380	0.1%
Total Cultural Affairs, Dept.	\$ 4,713,029	\$ 5,141,629	\$ 5,609,589	\$ 5,439,589	\$ 297,960	5.8%
<u>Education, Department of</u>						
Administration						
DE Administration	\$ 5,220,190	\$ 5,494,090	\$ 5,894,009	\$ 5,534,009	\$ 39,919	0.7%
Vocational Ed. Admin.	650,563	667,215	669,674	669,674	2,459	0.4%
Board of Ed. Examiners	193,225	196,317	341,804	198,504	2,187	1.1%

Education Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
Education, Department of (cont)						
Administration (cont)						
Vocational Rehab.	3,786,945	4,148,138	4,499,622	4,499,622	351,484	8.5%
Independent Living	37,669	75,402	75,381	75,381	-21	0.0%
State Library	2,629,103	2,813,352	2,934,725	2,694,725	-118,627	-4.2%
Regional Library System	1,507,000	1,537,000	1,635,520	1,537,000	0	0.0%
Iowa Public Television	6,464,319	7,178,982	7,829,231	7,226,682	47,700	0.7%
IPTV-Transmitters/ICN	361,420	0	0	0	0	0.0%
Center For Assessment	300,000	200,000	300,000	200,000	0	0.0%
Natl. Assess. Ed. Prog.	50,000	0	50,000	50,000	50,000	
LACES	25,000	0	0	125,000	125,000	
Career Pathways Program	650,000	650,000	0	0	-650,000	-100.0%
Leadership Development	0	0	165,000	0	0	0.0%
Total Administration	21,875,434	22,960,496	24,394,966	22,810,597	-149,899	-0.7%
Grants & State Aid						
Vocational Ed. Secondary	3,308,850	3,308,850	3,308,850	3,308,850	0	0.0%
School Food Service	2,716,859	2,716,859	2,716,859	2,716,859	0	0.0%
Textbook Nonpublic	616,000	616,000	616,000	616,000	0	0.0%
Voc Ed. Youth Org.	69,400	107,900	114,566	107,900	0	0.0%
Family Resource Centers	120,000	120,000	120,000	120,000	0	0.0%
Career Opportunity Prog.	135,000	0	0	0	0	0.0%
Advanced Placement	75,000	0	0	0	0	0.0%
Elect. Data Interchange	0	0	1,500,000	0	0	0.0%
Older Iowans in Schools	0	0	150,000	0	0	0.0%
Prof. Develop. Schools	0	0	100,000	0	0	0.0%
Teacher Short./Div. Inc.	0	0	200,000	0	0	0.0%
Reading Recovery Program	0	0	50,000	50,000	50,000	
Math & Science Coalition	0	0	0	50,000	50,000	
Total Grants & State Aid	7,041,109	6,869,609	8,876,275	6,969,609	100,000	1.5%

Education Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Education, Department of (cont)</u>						
Community College						
General Aid	120,871,270	126,006,270	134,868,849	130,006,270	4,000,000	3.2%
Total Education, Department of	\$ 149,787,813	\$ 155,836,375	\$ 168,140,090	\$ 159,786,476	\$ 3,950,101	2.5%
<u>Regents, Board of</u>						
Board Office Operations						
Regents Board Office	\$ 1,134,215	\$ 1,174,182	\$ 1,342,542	\$ 1,181,525	\$ 7,343	0.6%
Tuition Replacement	27,400,000	26,984,350	28,000,000	27,786,234	801,884	3.0%
Southwest Iowa Grad. Cnt.	73,538	105,903	107,005	106,109	206	0.2%
Tri State Graduate Center	74,511	76,539	77,541	76,778	239	0.3%
Quad Cities Graduate Cnt.	154,278	157,812	159,345	158,230	418	0.3%
Total Board Office Operations	28,836,542	28,498,786	29,686,433	29,308,876	810,090	2.8%
University of Iowa						
Univ. of Iowa - General	200,666,563	210,567,777	217,833,093	213,451,453	2,883,676	1.4%
SUI Indigent Patient	29,401,487	30,044,700	30,796,501	30,134,503	89,803	0.3%
SUI Psychiatric Hospital	7,213,566	7,412,670	7,475,861	7,438,304	25,634	0.3%
SUI Hospital School	5,914,972	6,151,526	6,241,713	6,188,179	36,653	0.6%
SUI Oakdale Campus	2,886,779	2,950,247	3,122,891	2,952,280	2,033	0.1%
SUI Hygienic Lab	3,293,934	3,447,915	3,579,059	3,475,980	28,065	0.8%
SUI Family Practice Prog.	2,059,666	2,131,146	2,262,241	2,140,381	9,235	0.4%
SUI Spec. Child Health	464,159	487,247	490,594	490,058	2,811	0.6%
SUI Ag. Health and Safety	253,213	259,011	261,985	259,543	532	0.2%
SUI Cancer Registry	194,226	198,816	201,787	199,894	1,078	0.5%
SUI Sub. Abuse Consortium	64,037	66,332	66,645	66,561	229	0.3%
SUI Cntr. - Biocatalysis	1,293,776	1,036,591	1,053,411	1,039,826	3,235	0.3%
SUI Driving Simulator	607,593	616,607	1,024,547	1,017,512	400,905	65.0%
SUI Primary Health Care	770,000	797,284	1,050,600	800,600	3,316	0.4%
SUI Research Park	0	321,000	322,450	321,700	700	0.2%

Education Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
Total University of Iowa	255,083,971	266,488,869	275,783,378	269,976,774	3,487,905	1.3%
Iowa State University						
Iowa State Univ- General	159,396,254	167,055,783	173,581,494	169,908,402	2,852,619	1.7%
ISU Ag. Experiment	31,728,488	32,639,116	32,892,812	32,742,389	103,273	0.3%
ISU Coop Extension	19,068,660	19,881,392	20,381,810	19,970,547	89,155	0.4%
ISU Leopold Center	560,593	563,868	567,025	564,718	850	0.2%
ISU Livestock Disease	276,022	276,178	278,783	276,335	157	0.1%
ISU Research Park	0	370,000	372,398	370,000	0	0.0%
Total Iowa State University	211,030,017	220,786,337	228,074,322	223,832,391	3,046,054	1.4%
Univ. of Northern Iowa						
UNI - General	71,434,026	75,199,376	78,094,416	76,040,005	840,629	1.1%
UNI Recycl./Reuse Cntr.	239,745	239,745	239,745	239,745	0	0.0%
UNI Metal Casting	0	160,000	160,000	160,000	0	0.0%
Total Univ. of Northern Iowa	71,673,771	75,599,121	78,494,161	76,439,750	840,629	1.1%
Special Schools						
Iowa School for the Deaf	6,668,097	6,883,176	7,024,349	6,935,267	52,091	0.8%
Iowa Braille & Sight Sch.	3,701,066	3,834,762	3,931,444	3,864,065	29,303	0.8%
Tuition & Transportation	11,232	11,882	16,400	16,400	4,518	38.0%
Total Special Schools	10,380,395	10,729,820	10,972,193	10,815,732	85,912	0.8%
Total Regents, Board of	\$ 577,004,696	\$ 602,102,933	\$ 623,010,487	\$ 610,373,523	\$ 8,270,590	1.4%
Total Education	\$ 774,592,892	\$ 809,302,576	\$ 847,453,763	\$ 825,980,292	\$ 16,677,716	2.1%
Operations	\$ 604,176,533	\$ 630,664,740	\$ 656,319,395	\$ 640,167,456	\$ 9,502,716	1.5%
Grant and Aid	\$ 129,902,029	\$ 134,940,029	\$ 144,169,818	\$ 139,115,029	\$ 4,175,000	3.1%
Standings	\$ 40,514,330	\$ 43,697,807	\$ 46,964,550	\$ 46,697,807	\$ 3,000,000	6.9%
	\$ 774,592,892	\$ 809,302,576	\$ 847,453,763	\$ 825,980,292	\$ 16,677,716	2.1%

Health and Human Rights Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Blind, Iowa Comm. For The</u>						
Department for the Blind	\$ 1,390,496	\$ 1,490,235	\$ 1,499,238	\$ 1,499,238	\$ 9,003	0.6%
<u>Civil Rights Commission</u>						
General Office	\$ 1,132,142	\$ 1,177,919	\$ 1,115,372	\$ 1,115,372	\$ -62,547	-5.3%
<u>Elder Affairs, Department</u>						
State Administration	\$ 447,457	\$ 471,782	\$ 512,362	\$ 512,362	\$ 40,580	8.6%
Aging Programs & Services	2,576,528	3,076,528	4,491,763	3,657,598	581,070	18.9%
Total Elder Affairs, Department	\$ 3,023,985	\$ 3,548,310	\$ 5,004,125	\$ 4,169,960	\$ 621,650	17.5%
<u>Gov. Subst. Abuse Coord.</u>						
Drug Enf. Ab. Prev. Coord.	\$ 301,393	\$ 309,505	\$ 378,977	\$ 379,443	\$ 69,938	22.6%
Cedar Rapids Subs. Abs.	32,894	32,894	32,894	32,894	0	0.0%
Total Gov. Subst. Abuse Coord.	\$ 334,287	\$ 342,399	\$ 411,871	\$ 412,337	\$ 69,938	20.4%
<u>Health, Dept. of Public</u>						
Planning & Administration	\$ 2,098,943	\$ 2,250,218	\$ 3,113,652	\$ 1,883,409	\$ -366,809	-16.3%
Professional Licensure	766,481	893,321	1,006,780	1,007,538	114,217	12.8%
Emergency Medical Service	1,317,075	1,030,536	1,030,218	1,030,954	418	0.0%
Health Data Commission	75,000	0	0	0	0	0.0%
Health Protection	2,169,921	2,191,780	2,211,192	2,198,030	6,250	0.3%
Sub. Abuse & Hlth. Promo.	627,198	651,733	654,556	656,216	4,483	0.7%
Sub. Abuse Prog. Grants.	8,390,159	7,990,159	8,390,159	8,390,159	400,000	5.0%
Family & Community Health	3,058,965	3,454,599	3,562,573	3,466,136	11,537	0.3%
SIDS Autopsies	9,675	9,675	9,675	9,675	0	0.0%
Public Health Nursing	2,511,871	2,511,871	2,511,871	2,511,871	0	0.0%
Home Health Aide	8,586,716	8,586,716	8,586,716	8,586,716	0	0.0%
Well Elderly Clinics	585,337	585,337	585,337	585,337	0	0.0%

Health and Human Rights Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Health, Dept. of Public (cont)</u>						
Physician Care for Kids	411,187	411,187	411,187	411,187	0	0.0%
Primary & Prevent. Health	75,000	75,000	75,000	75,000	0	0.0%
Healthy Family Program	665,000	952,000	952,000	952,000	0	0.0%
PRIMECARRE	235,000	235,000	235,000	235,000	0	0.0%
Dental Examiners	287,065	315,500	335,088	304,500	-11,000	-3.5%
Medical Examiners	1,007,089	1,066,757	1,211,892	1,203,648	136,891	12.8%
Nursing Examiners	939,709	1,006,116	1,069,567	1,006,293	177	0.0%
Pharmacy Examiners	672,976	694,938	967,674	741,909	46,971	6.8%
Parental Notification	200,000	0	100,000	100,000	100,000	
Total Health, Dept. of Public	\$ 34,690,367	\$ 34,912,443	\$ 37,020,137	\$ 35,355,578	\$ 443,135	1.3%
<u>Human Rights, Department</u>						
Central Administration	\$ 185,442	\$ 193,425	\$ 201,331	\$ 194,370	\$ 945	0.5%
Community Action Agencies	3,366	3,366	3,366	3,366	0	0.0%
Deaf Services	251,337	257,986	318,303	303,229	45,243	17.5%
Persons With Disabilities	57,962	99,183	107,826	101,354	2,171	2.2%
Latino Affairs	99,292	142,442	142,490	142,490	48	0.0%
Status of Women	393,560	327,061	352,113	328,900	1,839	0.6%
Status of African Am.	103,776	105,390	175,643	114,266	8,876	8.4%
Criminal & Juvenile Just.	471,453	385,099	384,417	385,099	0	0.0%
Community Grant Fund	1,800,000	1,600,494	1,600,000	1,600,494	0	0.0%
Total Human Rights, Department	\$ 3,366,188	\$ 3,114,446	\$ 3,285,489	\$ 3,173,568	\$ 59,122	1.9%
<u>Veterans Affairs, Comm. of</u>						
Vet. Affairs Admin.	\$ 216,757	\$ 291,063	\$ 741,253	\$ 359,355	\$ 68,292	23.5%
War Orphans Ed. Fund	4,800	4,800	4,800	4,800	0	0.0%
Iowa Veterans Home	38,282,649	39,784,920	40,561,473	40,361,545	576,625	1.4%
Total Veterans Affairs, Comm. of	\$ 38,504,206	\$ 40,080,783	\$ 41,307,526	\$ 40,725,700	\$ 644,917	1.6%
Total Health & Human Rights	\$ 82,441,671	\$ 84,666,535	\$ 89,643,758	\$ 86,451,753	\$ 1,785,218	2.1%

Health and Human Rights Subcommittee

General Fund Appropriations

	Actual FY 1996 <u>(1)</u>	Estimated FY 1997 <u>(2)</u>	Dept Req FY 1998 <u>(3)</u>	Gov Recomm FY 1998 <u>(4)</u>	Gov Rec vs FY 1997 <u>(5)</u>	Percent Change <u>(6)</u>
Operations	\$ 56,998,323	\$ 59,197,726	\$ 62,360,032	\$ 60,001,456	\$ 803,730	1.4%
Grant and Aid	\$ 25,443,348	\$ 25,468,809	\$ 27,283,726	\$ 26,450,297	\$ 981,488	3.9%
	<u>\$ 82,441,671</u>	<u>\$ 84,666,535</u>	<u>\$ 89,643,758</u>	<u>\$ 86,451,753</u>	<u>\$ 1,785,218</u>	2.1%

Human Services Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Human Services, Dept.</u>						
Residential Care Facility	\$ 0	\$ 1,300,000	\$ 0	\$ 0	\$ -1,300,000	-100.0%
Economic Assistance						
Family Investment Program	44,755,221	47,388,847	14,376,053	9,067,449	-38,321,398	-80.9%
Emergency Assistance	1,767,500	1,967,500	1,967,500	1,967,500	0	0.0%
Child Support Recoveries	6,397,978	6,572,906	8,219,722	6,610,819	37,913	0.6%
Total Economic Assistance	52,920,699	55,929,253	24,563,275	17,645,768	-38,283,485	-68.4%
Medical Services						
Medical Assistance	351,496,521	366,687,988	393,178,049	381,901,557	15,213,569	4.1%
Medical Contracts	6,226,400	6,811,400	7,777,500	7,606,200	794,800	11.7%
State Supplementary Asst.	19,115,000	19,190,000	19,190,000	19,190,000	0	0.0%
Health Insurance Premium	0	0	390,130	390,130	390,130	
Total Medical Services	376,837,921	392,689,388	420,535,679	409,087,887	16,398,499	4.2%
Serv. Adult, Child, Family						
Child Care Services	9,014,000	12,547,100	13,747,100	13,747,100	1,200,000	9.6%
Toledo Juvenile Home	5,036,390	5,128,758	5,319,135	5,176,273	47,515	0.9%
Eldora Training School	8,585,306	8,766,527	8,796,267	8,796,267	29,740	0.3%
Child and Family Serv.	83,380,000	85,460,607	114,065,398	111,244,095	25,783,488	30.2%
Community Based Services	2,620,000	2,636,643	2,521,508	2,521,508	-115,135	-4.4%
Ct. Ordered Ser. Juvenile	3,090,000	3,090,000	3,090,000	3,090,000	0	0.0%
Personal Assistance	250,000	364,000	364,000	364,000	0	0.0%
Total Serv. Adult, Child, Family	111,975,696	117,993,635	147,903,408	144,939,243	26,945,608	22.8%

Human Services Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
Human Services, Dept. (cont)						
Serving MH/MR/DD/BI						
Cherokee MHI	15,183,921	13,668,938	13,760,898	13,399,487	-269,451	-2.0%
Clarinda MHI	6,113,456	6,276,631	6,324,477	6,324,477	47,846	0.8%
Independence MHI	17,838,891	17,064,185	17,324,610	17,133,232	69,047	0.4%
Mt Pleasant MHI	4,873,883	4,822,243	4,823,926	4,823,926	1,683	0.0%
Glenwood SHS	36,176,191	35,626,754	35,183,982	35,064,982	-561,772	-1.6%
Woodward SHS	30,652,048	27,239,845	26,505,178	26,505,178	-734,667	-2.7%
MH/MR/DD Special Services	121,220	121,220	121,220	121,220	0	0.0%
Family Support Subsidy	1,110,000	1,344,000	1,374,956	1,374,956	30,956	2.3%
DD Special Needs Grants	53,212	53,212	53,212	53,212	0	0.0%
State Cases	5,470,000	5,454,000	7,380,000	7,380,000	1,926,000	35.3%
Community MH/MR Fund	17,830,000	16,230,000	17,400,000	17,400,000	1,170,000	7.2%
Connors Training	0	0	46,000	0	0	0.0%
Total Serving MH/MR/DD/BI	135,422,822	127,901,028	130,298,459	129,580,670	1,679,642	1.3%
DHS Administration						
Field Operations	38,464,333	39,482,739	47,512,240	47,512,240	8,029,501	20.3%
General Administration	11,986,464	11,948,791	14,811,133	14,266,111	2,317,320	19.4%
Volunteers	85,793	98,900	98,900	98,900	0	0.0%
Year 2000 Conversion	0	0	2,818,816	0	0	0.0%
Total DHS Administration	50,536,590	51,530,430	65,241,089	61,877,251	10,346,821	20.1%
Total Human Services	\$ 727,693,728	\$ 747,343,734	\$ 788,541,910	\$ 763,130,819	\$ 15,787,085	2.1%
Operations	\$ 181,308,861	\$ 177,898,317	\$ 191,400,384	\$ 185,612,992	\$ 7,714,675	4.3%
Grant and Aid	\$ 546,384,867	\$ 569,445,417	\$ 597,141,526	\$ 577,517,827	\$ 8,072,410	1.4%
	\$ 727,693,728	\$ 747,343,734	\$ 788,541,910	\$ 763,130,819	\$ 15,787,085	2.1%

Justice System Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Attorney General</u>						
General Office A.G.	\$ 5,472,835	\$ 6,034,364	\$ 6,576,768	\$ 6,995,561	\$ 961,197	15.9%
Pros. Attor. Training	131,395	257,429	269,392	269,392	11,963	4.6%
Victim Assistance Grants	1,359,806	1,759,806	1,759,806	1,759,806	0	0.0%
Area GASA Pros. Attorney	108,433	116,103	121,259	121,259	5,156	4.4%
Consumer Advocate	2,865,866	2,360,469	2,372,826	2,372,826	12,357	0.5%
Legal Serv. Poverty Grt.	0	950,000	1,150,000	0	-950,000	-100.0%
Total Attorney General	\$ 9,938,335	\$ 11,478,171	\$ 12,250,051	\$ 11,518,844	\$ 40,673	0.4%
<u>Corrections, Department</u>						
Corr. - Institutions						
Ft. Madison Inst.	\$ 25,923,268	\$ 26,848,358	\$ 29,865,906	\$ 27,618,153	\$ 769,795	2.9%
Anamosa Inst.	19,673,466	20,486,587	20,695,587	20,629,037	142,450	0.7%
Oakdale Inst.	16,254,833	16,829,206	17,071,206	16,951,751	122,545	0.7%
Newton Inst.	5,777,024	10,494,101	19,266,397	19,251,272	8,757,171	83.4%
Mt. Pleasant Inst.	14,217,681	15,042,146	15,286,806	14,652,431	-389,715	-2.6%
Rockwell City Inst.	5,602,983	5,861,778	5,897,467	5,876,292	14,514	0.2%
Clarinda Inst.	10,964,214	14,821,786	15,153,770	14,886,395	64,609	0.4%
Mitchellville Inst.	6,386,802	6,751,568	6,900,859	6,768,684	17,116	0.3%
Ft. Dodge Inst.	0	0	10,610,122	9,540,122	9,540,122	
Total Corr. - Institutions	104,800,271	117,135,530	140,748,120	136,174,137	19,038,607	16.3%
Corr. - Central Office						
Central Office	2,358,970	2,432,810	2,599,103	2,099,844	-332,966	-13.7%
Training Center	394,751	462,152	463,128	463,128	976	0.2%
County Confinement	237,038	237,038	237,038	237,038	0	0.0%
Fed. Prisoners/Contract	341,334	341,334	341,334	341,334	0	0.0%

Justice System Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Corrections, Department (cont)</u>						
Corr. - Central Office (cont)						
Corr. Expansion-Phase I	625,860	625,860	625,860	625,860	0	0.0%
Corr. Expansion-Phase II	3,180,990	0	3,186,275	3,186,275	3,186,275	
Corrections Education	1,850,600	2,350,600	3,069,940	2,950,600	600,000	25.5%
UNI-Criminal Justice Prog	0	175,000	0	0	-175,000	-100.0%
Total Corr. - Central Office	8,989,543	6,624,794	10,522,678	9,904,079	3,279,285	49.5%
CBC Districts						
CBC District I	6,756,395	7,165,704	7,228,289	7,157,999	-7,705	-0.1%
CBC District II	5,462,621	5,720,037	6,048,323	5,729,149	9,112	0.2%
CBC District III	3,333,116	3,436,383	3,521,729	3,465,497	29,114	0.8%
CBC District IV	2,448,498	2,598,278	2,683,159	2,664,415	66,137	2.5%
CBC District V	8,893,606	9,332,602	9,480,303	9,339,723	7,121	0.1%
CBC District VI	7,014,349	7,247,843	7,332,278	7,271,360	23,517	0.3%
CBC District VII	4,441,400	4,582,676	4,920,577	4,599,542	16,866	0.4%
CBC District VIII	3,965,512	4,197,108	4,324,382	4,286,894	89,786	2.1%
CBC Statewide	83,576	83,576	83,576	83,576	0	0.0%
Total CBC Districts	42,399,073	44,364,207	45,622,616	44,598,155	233,948	0.5%
Total Corrections, Department	\$ 156,188,887	\$ 168,124,531	\$ 196,893,414	\$ 190,676,371	\$ 22,551,840	13.4%
<u>Inspections & Appeals</u>						
Public Defender	\$ 9,171,815	\$ 11,022,169	\$ 11,522,859	\$ 12,300,519	\$ 1,278,350	11.6%
Indigent Defense Approp.	18,151,800	17,475,074	21,812,916	20,786,516	3,311,442	18.9%
Total Inspections & Appeals	\$ 27,323,615	\$ 28,497,243	\$ 33,335,775	\$ 33,087,035	\$ 4,589,792	16.1%

Justice System Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Judicial Branch</u>						
Judicial Branch	\$ 88,919,478	\$ 92,466,788	\$ 97,440,217	\$ 96,466,788	\$ 4,000,000	4.3%
Juv. Vict. Restitution	155,396	155,396	155,396	155,396	0	0.0%
ICIS Computer	857,500	0	0	0	0	0.0%
Judicial Retirement	3,150,915	3,726,422	3,806,457	3,806,457	80,035	2.1%
Total Judicial Branch	\$ 93,083,289	\$ 96,348,606	\$ 101,402,070	\$ 100,428,641	\$ 4,080,035	4.2%
<u>Law Enforcement Academy</u>						
ILEA Operations	\$ 1,016,893	\$ 1,097,687	\$ 1,331,687	\$ 1,070,287	\$ -27,400	-2.5%
ILEA D.A.R.E. Coord.	30,000	30,000	0	0	-30,000	-100.0%
Total Law Enforcement Academy	\$ 1,046,893	\$ 1,127,687	\$ 1,331,687	\$ 1,070,287	\$ -57,400	-5.1%
<u>Parole, Board of</u>						
Parole Board	\$ 815,122	\$ 851,841	\$ 868,802	\$ 924,802	\$ 72,961	8.6%
<u>Public Defense, Dept.</u>						
Military Division	\$ 3,972,077	\$ 3,963,720	\$ 4,706,196	\$ 4,253,196	\$ 289,476	7.3%
Emergency Mgmt. Div.	493,971	535,541	824,097	590,971	55,430	10.4%
DPD Chapter 207, Sec. 19.	500,000	0	0	0	0	0.0%
Total Public Defense, Dept.	\$ 4,966,048	\$ 4,499,261	\$ 5,530,293	\$ 4,844,167	\$ 344,906	7.7%
<u>Public Safety, Department</u>						
Administration	\$ 2,223,732	\$ 2,211,280	\$ 2,272,374	\$ 2,272,374	\$ 61,094	2.8%
Investigation, DCI	9,421,259	9,755,223	11,239,574	9,927,359	172,136	1.8%
Narcotics Enforce.	2,407,347	2,559,490	2,717,417	2,573,278	13,788	0.5%
Undercover Funds	139,202	139,202	139,202	139,202	0	0.0%
Fire Marshal	1,430,236	1,508,075	2,049,359	1,513,605	5,530	0.4%

Justice System Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
Public Safety, Department (cont)						
Capitol Security	1,194,710	1,232,779	1,247,761	1,244,094	11,315	0.9%
AFIS System Maintenance	211,576	0	233,265	233,265	233,265	
Iowa State Patrol	0	9,177,295	17,593,981	18,088,999	8,911,704	97.1%
IDOP Reimbursement - IHP	88,390	0	0	0	0	0.0%
Medical Examiner	0	337,289	341,959	341,959	4,670	1.4%
Fire Fighter Training	0	875,000	875,000	875,000	0	0.0%
Total Public Safety, Department	\$ 17,116,452	\$ 27,795,633	\$ 38,709,892	\$ 37,209,135	\$ 9,413,502	33.9%
Total Justice System	\$ 310,478,641	\$ 338,722,973	\$ 390,321,984	\$ 379,759,282	\$ 41,036,309	12.1%
Operations	\$ 265,991,930	\$ 291,596,128	\$ 341,392,390	\$ 331,973,489	\$ 40,377,361	13.8%
Grant and Aid	\$ 44,486,711	\$ 47,126,845	\$ 48,929,594	\$ 47,785,793	\$ 658,948	1.4%
	\$ 310,478,641	\$ 338,722,973	\$ 390,321,984	\$ 379,759,282	\$ 41,036,309	12.1%

Transportation, Infrastructure, and Capitals Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Blind Capitals, Dept. For</u>						
Dept. For The Blind Cap.	\$ 0	\$ 0	\$ 15,583	\$ 0	\$ 0	0.0%
<u>Transportation, Dept.</u>						
Rail Projects	\$ 1,497,000	\$ 1,229,000	\$ 1,415,000	\$ 1,415,000	\$ 186,000	15.1%
State Aviation Approp.	2,262,000	2,400,000	2,472,000	2,472,000	72,000	3.0%
Planning & Programming	241,000	264,794	247,650	247,650	-17,144	-6.5%
Total Transportation, Dept.	\$ 4,000,000	\$ 3,893,794	\$ 4,134,650	\$ 4,134,650	\$ 240,856	6.2%
<u>Corrections Capital</u>						
Health/Life/Fire Safety	\$ 0	\$ 0	\$ 4,000,000	\$ 0	\$ 0	0.0%
DOC Prison Const. Req.	0	0	2,778,820	0	0	0.0%
Total Corrections Capital	\$ 0	\$ 0	\$ 6,778,820	\$ 0	\$ 0	0.0%
<u>Natural Resources Capital</u>						
GF-Marine Fuel Tax Caps	\$ 1,600,000	\$ 1,800,000	\$ 2,100,000	\$ 1,800,000	\$ 0	0.0%
<u>Veterans Affairs Capital</u>						
Veterans Affairs Capitals	\$ 0	\$ 0	\$ 2,249,430	\$ 0	\$ 0	0.0%
Total Trans., Infra., & Capitals	\$ 5,600,000	\$ 5,693,794	\$ 15,278,483	\$ 5,934,650	\$ 240,856	4.2%
Operations	\$ 241,000	\$ 264,794	\$ 247,650	\$ 247,650	\$ -17,144	-6.5%
Grant and Aid	\$ 3,759,000	\$ 3,629,000	\$ 3,887,000	\$ 3,887,000	\$ 258,000	7.1%
Capitals	\$ 1,600,000	\$ 1,800,000	\$ 11,143,833	\$ 1,800,000	\$ 0	0.0%
	\$ 5,600,000	\$ 5,693,794	\$ 15,278,483	\$ 5,934,650	\$ 240,856	4.2%

Oversight and Communications Subcommittee

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>IA Telecom. & Techn. Comm</u>						
ICN - Part III	\$ 1,700,000	\$ 1,950,000	\$ 3,151,266	\$ 2,200,000	\$ 250,000	12.8%
Network Operations	4,671,400	2,400,000	6,400,000	3,400,000	1,000,000	41.7%
Revolving Fund	1,000,000	0	0	0	0	0.0%
Network Debt Service	12,783,000	12,754,000	12,751,000	12,514,756	-239,244	-1.9%
Sale/Conversion Study	250,000	0	0	0	0	0.0%
Total IA Telecom. & Techn. Comm	\$ 20,404,400	\$ 17,104,000	\$ 22,302,266	\$ 18,114,756	\$ 1,010,756	5.9%
<u>Info. Technology Services</u>						
ITS Transition	\$ 0	\$ 0	\$ 14,889,108	\$ 4,814,962	\$ 4,814,962	
Total Oversight & Communications	\$ 20,404,400	\$ 17,104,000	\$ 37,191,374	\$ 22,929,718	\$ 5,825,718	34.1%
Operations	\$ 20,404,400	\$ 17,104,000	\$ 37,191,374	\$ 22,929,718	\$ 5,825,718	34.1%
	\$ 20,404,400	\$ 17,104,000	\$ 37,191,374	\$ 22,929,718	\$ 5,825,718	34.1%

Unassigned Standings

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Corrections, Department</u>						
State Cases - Stdg.	\$ 3,690	\$ 66,370	\$ 66,370	\$ 66,370	\$ 0	0.0%
<u>Education, Department of</u>						
Trans. - Nonpublic Pupils	\$ 6,900,732	\$ 7,200,000	\$ 7,500,000	\$ 7,500,000	\$ 300,000	4.2%
Child Development	14,119,216	14,520,000	17,020,000	15,170,000	650,000	4.5%
Educational Excellence	80,976,336	80,981,336	80,981,336	80,981,336	0	0.0%
Instructional Support	14,798,227	14,798,227	14,798,227	14,798,227	0	0.0%
School Foundation Aid	1,330,918,568	1,489,170,713	1,558,886,942	1,558,886,942	69,716,229	4.7%
Teacher Salaries	5,000	0	0	0	0	0.0%
School Improv./Technology	0	15,000,000	30,000,000	30,000,000	15,000,000	100.0%
Total Education, Department of	\$ 1,447,718,079	\$ 1,621,670,276	\$ 1,709,186,505	\$ 1,707,336,505	\$ 85,666,229	5.3%
<u>Executive Council</u>						
Court Costs	\$ 37,302	\$ 50,000	\$ 50,000	\$ 50,000	\$ 0	0.0%
Public Improvements	10,599	50,000	50,000	50,000	0	0.0%
Performance of Duty	4,515,704	1,335,000	850,000	850,000	-485,000	-36.3%
Drainage Assessment	9,438	25,000	25,000	25,000	0	0.0%
Total Executive Council	\$ 4,573,043	\$ 1,460,000	\$ 975,000	\$ 975,000	\$ -485,000	-33.2%
<u>Legislative Branch</u>						
Legislative Expenses	\$ 19,963,850	\$ 24,173,051	\$ 22,832,622	\$ 22,832,622	\$ -1,340,429	-5.5%
<u>Governor</u>						
Interstate Extradition	\$ 0	\$ 4,000	\$ 4,000	\$ 4,000	\$ 0	0.0%

Unassigned Standings

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Human Services, Dept.</u>						
Commission of Inquiry	\$ 138	\$ 1,800	\$ 1,800	\$ 1,800	\$ 0	0.0%
Non Resident Transfer	0	87	87	87	0	0.0%
Non Resident Commitment	73,191	184,398	184,398	184,398	0	0.0%
Total Human Services, Dept.	\$ 73,329	\$ 186,285	\$ 186,285	\$ 186,285	\$ 0	0.0%
<u>Management, Department of</u>						
Indian Settlement Officer	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 0	0.0%
Appeal Board Standing	5,093,253	5,900,000	5,900,000	5,900,000	0	0.0%
Special Olympics Fund	20,000	20,000	20,000	20,000	0	0.0%
Total Management, Department of	\$ 5,138,253	\$ 5,945,000	\$ 5,945,000	\$ 5,945,000	\$ 0	0.0%
<u>Public Defense, Dept.</u>						
Compensation & Expense	\$ 175,890	\$ 100,000	\$ 100,000	\$ 100,000	\$ 0	0.0%
<u>Revenue & Finance, Dept.</u>						
Ag. Land Tax Credit	\$ 39,100,000	\$ 39,100,000	\$ 39,100,000	\$ 39,100,000	\$ 0	0.0%
Property Tax Replacement	56,287,557	56,287,557	56,287,557	56,287,557	0	0.0%
Printing Cigarette Stamps	84,074	115,000	115,000	115,000	0	0.0%
Homestead Tax Credit Aid	93,570,095	93,573,219	93,573,219	113,573,219	20,000,000	21.4%
Extraordinary Prop. Tax	10,791,198	10,794,998	10,794,998	12,000,000	1,205,002	11.2%
Peace Officer Retirement	3,017,726	2,942,726	2,942,726	2,942,726	0	0.0%
Unemployment Compensation	353,952	400,000	400,000	400,000	0	0.0%
Franchise Tax Reimburse.	8,787,441	8,800,000	8,800,000	8,800,000	0	0.0%
Military Service Tax	2,820,682	2,820,682	2,820,682	2,920,682	100,000	3.5%
Property Tax Relief	61,000,000	78,000,000	95,000,000	101,163,211	23,163,211	29.7%
Federal Cash Management	1,092,035	1,100,000	1,100,000	1,100,000	0	0.0%
Machinery/Equip Prop Tax	0	7,000,000	11,100,000	12,500,000	5,500,000	78.6%
Livestock Producers Cred.	0	0	2,000,000	2,000,000	2,000,000	
Total Revenue & Finance, Dept.	\$ 276,904,760	\$ 300,934,182	\$ 324,034,182	\$ 352,902,395	\$ 51,968,213	17.3%

Unassigned Standings

General Fund Appropriations

	Actual FY 1996 (1)	Estimated FY 1997 (2)	Dept Req FY 1998 (3)	Gov Recomm FY 1998 (4)	Gov Rec vs FY 1997 (5)	Percent Change (6)
<u>Secretary of State</u>						
Iowa Servicemens Ballot	\$ 1,686	\$ 0	\$ 3,500	\$ 3,500	\$ 3,500	
Constitutional Amendments	0	2,565	0	0	-2,565	-100.0%
Total Secretary of State	\$ 1,686	\$ 2,565	\$ 3,500	\$ 3,500	\$ 935	36.5%
<u>Transportation, Dept.</u>						
Public Transit Assistance	\$ 7,974,624	\$ 7,500,000	\$ 8,100,000	\$ 8,100,000	\$ 600,000	8.0%
Total Unassigned Standings	\$ 1,762,527,204	\$ 1,962,041,729	\$ 2,071,433,464	\$ 2,098,451,677	\$ 136,409,948	7.0%
Standings	\$ 1,762,527,204	\$ 1,962,041,729	\$ 2,071,433,464	\$ 2,098,451,677	\$ 136,409,948	7.0%
	<u>\$ 1,762,527,204</u>	<u>\$ 1,962,041,729</u>	<u>\$ 2,071,433,464</u>	<u>\$ 2,098,451,677</u>	<u>\$ 136,409,948</u>	<u>7.0%</u>



APPENDIX B

FY 1998 BUILT-IN INCREASES OR DECREASES AND ANTICIPATED INCREASES OR DECREASES

(Dollars in Millions)

Programs/Appropriations (1)	Description of Programs (2)	Major Factors (3)	Current Law FY 1998 vs. FY 1997 (4)	Gov. Rec. FY 1998 vs. FY 1997 (5)	Governor's Recommended Changes from Current Law (6)	Gov. Changes (7)
BUILT-IN INCREASES OR DECREASES:						
K-12 School Aid <i>Standing Unlimited Appropriation</i>	The School Foundation Program establishes limits and controls on local school district spending authority. By formula, the Program determines the amount of state aid and local property tax used in funding school district budgets. Assumptions: Special Education weightings are estimated to increase by 5.5%, property valuations are estimated to increase by 2.25%, machinery and equipment valuation reduction is estimated to increase by the same amount as FY 1997, and all other unknown variables are held constant.	<ul style="list-style-type: none"> • Allowable growth of 3.5%. • Enrollment increase of 1,097 pupils (0.2%) • Assumed increase in special education weightings of 5.5%. • Increase in supplemental weightings. • Assumed decrease due to increase in property valuations of 2.25%. • Decrease due to the expiration of reorganization incentives. 	\$ 69.4	\$ 69.7	No change from current law recommended. The difference is due to estimating technique.	

FY 1998 BUILT-IN INCREASES OR DECREASES AND ANTICIPATED INCREASES OR DECREASES

(Dollars in Millions)

Programs/Appropriations (1)	Description of Programs (2)	Major Factors (3)	Current Law FY 1998 vs. FY 1997 (4)	Gov. Rec. FY 1998 vs. FY 1997 (5)	Governor's Recommended Changes from Current Law (6)	Gov. Changes (7)
Human Services - Medical Assistance Appropriation	<p>Medical Assistance is a state/federal entitlement program that provides medical services to eligible low-income recipients. To qualify for federal funding, the State must reimburse providers for certain mandatory services. The State has the option to provide coverage of additional services and can elect to expand coverage to optional eligibility groups. Iowa is currently covering most of the optional services and optional eligibility groups for which federal funding is available. The State also has the ability to set the rates it uses to reimburse service providers, within federal guidelines.</p>	<ul style="list-style-type: none"> · Provider reimbursement rate increases. · Increased costs for Intermediate Care Facilities for the Mentally Retarded. · Federal Financial Participation rate is projected to increase which decreases State costs. 	\$ 15.2	\$ 15.2	No changes from current law recommended.	

FY 1998 BUILT-IN INCREASES OR DECREASES AND ANTICIPATED INCREASES OR DECREASES

(Dollars in Millions)

Programs/Appropriations (1)	Description of Programs (2)	Major Factors (3)	Current Law FY 1998 vs. FY 1997 (4)	Gov. Rec. FY 1998 vs. FY 1997 (5)	Governor's Recommended Changes from Current Law (6)	Gov. Changes (7)
Property Tax Relief Fund <i>Standing Limited Appropriation</i>	Reflects an appropriation of \$95.0 million in FY 1998 for Mental Health services to be paid to counties, as per SF 69 passed in the 1995 Legislative Session. There was an appropriation of \$78.0 million in FY 1997.	Increase in a standing appropriation.	\$ 17.0	\$ 23.2	Increase for inflation factor.	\$6.2
Technology/School Improvement <i>Standing Limited Appropriation</i>	Provides school improvement/technology funding for school districts and area education agencies. Appropriates \$30.0 million for five years from FY 1997 to FY 2001. In FY 1997, \$15.0 million was appropriated from the General Fund and \$15.0 million was appropriated from the Rebuild Iowa Infrastructure Account. In subsequent years, the \$30.0 million is appropriated from the General Fund.	Entire appropriation is from the General Fund.	\$ 15.0	\$ 15.0	No change from current law recommended.	

FY 1998 BUILT-IN INCREASES OR DECREASES AND ANTICIPATED INCREASES OR DECREASES

(Dollars in Millions)

Programs/Appropriations (1)	Description of Programs (2)	Major Factors (3)	Current Law FY 1998 vs. FY 1997 (4)	Gov. Rec. FY 1998 vs. FY 1997 (5)	Governor's Recommended Changes from Current Law (6)	Gov. Changes (7)
Natural Resources - Resource Enhancement and Protection (REAP) Fund <i>Standing Limited Appropriation</i>	<p>The REAP Program provides funds for land maintenance, acquisition and development, grants to cities and counties, soil conservation cost share, alternative roadside vegetation, and historical resource grants.</p> <p>The REAP appropriation for FY 1997 is \$8.0 million. For FY 1998, \$20.0 million is appropriated from the General Fund through FY 2021, but that amount is reduced by any money appropriated from the Lottery Fund (Section 455.18(4), <u>Code of Iowa</u>).</p>	<p>The Standing Appropriation is restored as required by the <u>Code of Iowa</u>.</p>	<p>\$ 11.0</p>	<p>\$ 0</p>	<p>Appropriates the same level of funding as FY 1997.</p>	<p>\$ -11.0</p>

FY 1998 BUILT-IN INCREASES OR DECREASES AND ANTICIPATED INCREASES OR DECREASES

(Dollars in Millions)

Programs/Appropriations (1)	Description of Programs (2)	Major Factors (3)	Current Law FY 1998 vs. FY 1997 (4)	Gov. Rec. FY 1998 vs. FY 1997 (5)	Governor's Recommended Changes from Current Law (6)	Gov. Changes (7)
Highway Patrol <i>Standing Limited</i> <i>Appropriation</i>	Senate File 481 appropriated \$9.0 million in FY 1997 to the Highway Safety Patrol Fund to begin funding the Patrol from the General Fund. Senate File 481 increases the General Fund appropriation by \$9.0 million each year until the Highway Patrol is fully funded from the General Fund.	<ul style="list-style-type: none"> · New funding. · Senate File 481 appropriated \$9.0 million in FY 1997, \$18.0 million in FY 1998, \$27.0 million in FY 1999, and \$36.0 million in FY 2000 or as much as is necessary to fully fund the Highway Patrol from the General Fund. 	\$ 9.0	\$ 9.0	No change from current law recommended.	
Machinery and Equipment (M & E) Property Tax Replacement Fund <i>Standing Unlimited</i> <i>Appropriation</i>	Due to the phase out of the property tax on M&E, current law provides for the replacement of lost valuation compared to the base year (FY 1996). HF 2165 (1996 Legislative Session) expanded the replacement to include tax increment financing (TIF) districts.	<ul style="list-style-type: none"> · Actual claims for reimbursement in FY 1997 totaled \$7.0 million, which was \$1.3 million more than anticipated. The FY 1998 estimate of \$12.5 million reflects a similar adjustment. 	\$ 5.5	\$ 5.5	No change from current law recommended.	

FY 1998 BUILT-IN INCREASES OR DECREASES AND ANTICIPATED INCREASES OR DECREASES

(Dollars in Millions)

Programs/Appropriations (1)	Description of Programs (2)	Major Factors (3)	Current Law FY 1998 vs. FY 1997 (4)	Gov. Rec. FY 1998 vs. FY 1997 (5)	Governor's Recommended Changes from Current Law (6)	Gov. Changes (7)
Livestock Productivity Credit <i>Standing Limited Appropriation</i>	SF 2449 (1996 Legislative Session) provided for a Livestock Production Credit based on the amount of feed used for livestock. The Credit is limited to cow-calf operations for the first year.	Claims for calendar year 1996 will be paid in FY 1998, and are capped at \$2.0 million. The Credit will be expanded to all livestock operations for calendar year 1997 (claims paid in FY 1999), however, the \$2.0 million standing appropriation will remain in place absent legislation. The result would be that significantly smaller percentages of each claim would be reimbursed.	\$ 2.0	\$ 2.0	No change from current law recommended.	

FY 1998 BUILT-IN INCREASES OR DECREASES AND ANTICIPATED INCREASES OR DECREASES

(Dollars in Millions)

Programs/Appropriations (1)	Description of Programs (2)	Major Factors (3)	Current Law FY 1998 vs. FY 1997 (4)	Gov. Rec. FY 1998 vs. FY 1997 (5)	Governor's Recommended Changes from Current Law (6)	Gov. Changes (7)
Transportation for Nonpublic Students <i>Standing Unlimited Appropriation</i>	Provides reimbursement for transportation of nonpublic school students. Public school districts are required to provide transportation assistance for resident students attending approved nonpublic schools on the same basis as provided for resident public school students	Increased claims.	\$ 0.3	\$ 0.3	No change from current law recommended.	

FY 1998 BUILT-IN INCREASES OR DECREASES AND ANTICIPATED INCREASES OR DECREASES

(Dollars in Millions)

Programs/Appropriations (1)	Description of Programs (2)	Major Factors (3)	Anticipated FY 1998 vs. FY 1997 (4)	Gov. Rec. FY 1998 vs. FY 1997 (5)	Governor's Recommended Changes from Estimate (6)	Gov. Changes (7)
Miscellaneous Transfers from the Infrastructure Account Appropriation	<ul style="list-style-type: none"> • \$3.2 million for Phase II prison construction debt service. • \$233,000 for ongoing maintenance of the Automated Fingerprint Information System . • \$1.6 million for the operation of the X-PERT System and technology training. 	<ul style="list-style-type: none"> • Funded from the Rebuild Iowa Infrastructure Account in FY 1997 and requested from the General Fund in FY 1998. 	\$ 5.0	\$ 5.0	No changes recommended.	

FY 1998 BUILT-IN INCREASES OR DECREASES AND ANTICIPATED INCREASES OR DECREASES

(Dollars in Millions)

Programs/Appropriations (1)	Description of Programs (2)	Major Factors (3)	Anticipated FY 1998 vs. FY 1997 (4)	Gov. Rec. FY 1998 vs. FY 1997 (5)	Governor's Recommended Changes from Estimate (6)	Gov. Changes (7)
Indigent Defense Program <i>Appropriation</i>	Indigent Defense pays private court-appointed attorneys and attorneys contracted by the State Public Defender to defend indigent persons. The Program is constitutionally required. Attorneys submit billings to the presiding judge for approval and submission to the Department of Inspections and Appeals for payment. Indigent status is determined through rules using the federal poverty guidelines. Persons deemed partially or not indigent receiving services are required to make an up front payment of \$100 to \$200 to offset the cost of the legal defense. The State is also required to provide legal representation for persons refusing to hire an attorney. Nonindigent persons using the Program are required to repay the State, but rarely do so.	The Indigent Defense Program is historically underfunded because it is difficult to predict the number or size of claims that will be received in a given year.	\$ 4.3	\$ 3.3	Reduced Indigent Defense costs due to the expansion of the Public Defender's Office.	\$ -1.0

FY 1998 BUILT-IN INCREASES OR DECREASES AND ANTICIPATED INCREASES OR DECREASES

(Dollars in Millions)

Programs/Appropriations (1)	Description of Programs (2)	Major Factors (3)	Anticipated FY 1998 vs. FY 1997 (4)	Gov. Rec. FY 1998 vs. FY 1997 (5)	Governor's Recommended Changes from Estimate (6)	Gov. Changes (7)
Regents - Tuition Replacement Appropriation	Tuition replacement is the appropriation to pay the debt service costs of academic revenue bonds. The bonds are sold when approved by the General Assembly to pay for certain buildings on the campuses of Regents institutions. The payments are "guaranteed" with tuition and fee revenues from the students attending the Regents universities.	Increased debt service on authorized Academic Revenue Bonds.	\$ 1.0	\$ 0.8	The FY 1997 appropriation has an excess of \$214,000 which the Governor plans to carry over into FY 1998 to reduce the FY 1998 appropriation.	\$.02
Regents - Opening New Buildings Appropriation	Costs which the institutions expect for general salaries, utilities, and supplies to open the new buildings on campus.	Ongoing expenses for new buildings.	\$ 0.4	\$ 0.4	No changes recommended.	

APPENDIX C



GLOSSARY OF BUDGET TERMS

Accrual: The basis of accounting under which revenues are recorded when earned and expenditures are recognized in the period in which benefit is derived. It provides for the matching of expense against related revenue.

Allocation: Funds and/or personnel which are apportioned or designated to a function, program, or activity.

Appropriation: A legislative allocation of money for a specific purpose.

75.0% Base Budgeting: A form of modified base budgeting used by the State in which agency managers assume for budgeting purposes that 75.0% of the current appropriation becomes the base for the next fiscal year's budget.

Budget Unit: A predetermined grouping of one or more organizations that indicates an individual entity within a department. There may be one or more budget units within a department. A budget unit generally equals an appropriation made by the General Assembly.

Budgeting for Results: A form of budgeting which ties the appropriation of resources to the outcomes or results expected from a program. An outcomes-based performance budget is developed by defining desired program results, establishing the unit cost of a service or set of services necessary to achieve the result, and determining how many units of the desired outcomes can be achieved with the requested level of funding. Resources are then allocated based on the performance expected. Progress toward meeting the outcomes is tracked and analyzed, and department directors are held accountable for the performance.

Capital Appropriation: An appropriation for long term additions to, or betterment of state property, such as land, buildings, or equipment.

Cost-Of-Living Adjustment (COLA): An annual increase made in the personal services line-item at the start of the fiscal year to take account of increases in the cost-of-living. The adjustment is determined through the collective bargaining process.

Decision Package: An individual request for funding made by a department for personnel, services, equipment, capitals, or other items. Decision packages are either requests to return the budget to 100% of the previous year's appropriation from the 75.0% base budget, or new requests for funding, over and above the previous year's appropriation. Decision packages are normally listed in priority order for each budget unit.



Electronic Publishing of Information: A project to provide electronic access to information produced or provided by the Legislative Fiscal Bureau.

Estimated Revenues: A projection compiled by the Revenue Estimating Conference for General Fund receipts.

Expenditures: Disbursements and payables for services rendered and goods received including authorized encumbrances for a specific period.

Estimated Expenditures: A projection compiled according to legislative action, adjusted for salary, cost-of-living, and merit increases.

Federal Fiscal Year (FFY): The 12-month financial period used for record keeping, budgeting, appropriating, revenue collecting, and other aspects of fiscal management for the federal government. The fiscal year of the federal government is October 1 through September 30.

Fiscal Year (FY): The 12-month financial period used for record keeping, budgeting, appropriating, revenue collecting, and other aspects of fiscal management. The fiscal year of the State of Iowa is July 1 to June 30.

Full-Time Equivalent (FTE) Positions: One full-time equivalent position represents 2,080 working hours, which is the regular number of hours one full-time person works in one fiscal year.

General Fund: The fiscal entity whose receipts are not earmarked for dedicated purposes and which supports the general functions of state government.

Generally Accepted Accounting Principles (GAAP): A method of accounting approved by the Governmental Accounting Standards Board.

Goal: A broad statement of purpose or intended achievement as established by policy makers or program administrators.

Grants and Aids: State money that passes through state departments for local needs.

Item Veto: The action by the Governor voiding a section of an appropriation bill.

Line-item: A term to describe funds requested and/or appropriated on a detailed or itemized basis (personal services, travel, equipment, or other items).

Merit Increase: The normal pay increase granted at the time of an employee's review date. Currently, a merit increase is the equivalent of one merit step or approximately 4.0% of the employee's salary.

New/Expanded Programs: Departmental requests that are above and beyond current operations of the department.

Objective: A specific statement of intent or action that serves to achieve a stated goal.

Operations: An appropriation of funds for the performance of the normal functions of a department or a division.

Organization: A responsibility center within the management structure of a department.

Performance Measures: Criteria used to assess progress toward objectives in the implementation of a program.

Reversion: Following the close of a fiscal year, all unencumbered or unobligated balances revert to the State treasury and to the credit of the fund from which the appropriation was made.

Revolving Fund: A fiscal entity which has a designated revenue source and specific expenditure purpose, with stipulated State agency access to the fund as required. All balances in a revolving fund typically remain in the fund at the close of the fiscal year for expenditure in the future.

Salary Adjustment: Costs for raises, merit steps, and other expenses associated with a collective bargaining agreement. Because the costs of the collective bargaining agreement are unknown at the time of budget submission, departments do not include these costs in their budgets. An appropriation is made to fund the adjustment costs in an annual Salary Bill.

Salary Annualization: Costs due to merit steps which occur for only part of the first year and require additional funds to fully fund in the second year. For example, if a merit step is given halfway through the fiscal year, the first-year cost to the agency is only one-half the amount the department would incur if the step started on the first day of the fiscal year. The department would incur the entire amount in the second year and request the difference between the first and second year amounts in the budget request.

Standing Limited Appropriation: An appropriation of a specific dollar amount established by the Code of Iowa. An example is the Indian Settlement Officer, Section 331.60, Code of Iowa: "There is appropriated annually from the General Fund of the State to the County of Tama the sum of three-thousand, three-hundred, sixty-five dollars to be used by the County only for the payment . . .".

Standing Unlimited Appropriation: An appropriation made by statute, but no dollar amount is mentioned in the Code of Iowa. An example reads as follows: "There is hereby appropriated out of any funds in the State treasury not otherwise appropriated a sum sufficient to pay for . . .".

Supplemental Appropriation: Additional funds appropriated for the current fiscal year in addition to the original appropriation.

APPENDIX D

ISSUE REVIEW SERIES

As part of the continuing effort to provide legislative oversight, the staff of the Legislative Fiscal Bureau (LFB) monitors a variety of issues that develop in state agencies. Many of the issues are reported through the *Fiscal Update* newsletter, but some require more detailed review to present sufficient information and some may require legislative action. To meet the need, the LFB developed an *Issue Review* series in 1992, which presents selected issues to members of the General Assembly and the Fiscal Committee. Where appropriate, each paper contains a specific issue topic, a brief background on information related to the topic, the current situation, affected agencies, Code of Iowa authority, alternatives the General Assembly may wish to consider, and budgetary impacts.

The following *Issue Reviews* have been distributed during the 1996 Interim and are available from the LFB (listed alphabetically).



- An Update of the Case Management Program
- Annual Versus Biennial Budgeting in the 50 States
- Central Information Technology Entity
- Computer Costs for the Year 2000
- County Budgeting Under the Property Tax Limitation
- County Issuance of Motor Vehicle Licenses
- Crime Bills from the 1996 Legislative Session
- Dental Hygiene Programs
- Department of Transportation Review of FTE Positions
- Federal Welfare Reform Legislation
- Housing Assistance
- Indigent Defense Update
- Iowa Finance Authority
- Iowa Lottery Administrative Expenses
- Iowa State University 3 X 5 Program
- Iowa State University Healthy Livestock Program
- Linked Investments for Tomorrow Program
- Medically Needy Program
- Multi-State Lottery
- Outcome-Based Performance Budgeting
- Permanent School Fund
- Prison Privatization
- Prison Visitation Facilities
- Privatization in Iowa Government
- Privatization of the Dietary and Housekeeping Services at the Iowa Veterans Home
- Rebuild Iowa Infrastructure Fund
- Review of Tax Study Results
- School Improvement Technology Act
- State Employee Wages
- State Fair Capitals
- Statewide Indirect Cost Allocation Plan
- Student Financial Aid at the Board of Regents Institutions
- Summary of Regent Bonding
- The Iowa Inheritance Tax and Elderly Migration
- Update on Riverboat, Pari-Mutuel, and Slot Machine Operations
- Update on Sesquicentennial Activities

In addition to the *Issue Review* series, the LFB staff provided the following information at each Fiscal Committee meeting:

- Revenue Update
- Update of Appropriation Transfers
- Update of Federal Funds Status
- Update of Lease Purchase Notifications
- Update of the Iowa Communications Network

The LFB provided written information on the following specifically requested topics to the Fiscal Committee:

- Child Care Assistance - Preliminary Impact of Increased Funding
- Department of General Services - Central Supply Division
- Department of Public Safety Training for Volunteer Fire Fighters
- Gambling Treatment Fund
- FY 1995 Report of Employee Training and Technology Transfer
- FY 1997 Salary Adjustment Funding
- Georgia Prison Privatized Medical Services
- Mitchellville Prison Staffing
- Report on State Indebtedness
- Update on Merit (Medicaid Contractor for Mental Health Services)

The LFB organized and coordinated the following visitations by the Fiscal Committee:

- Mental Health Institute at Independence on August 28, 1996, to tour the facility.
- State University of Iowa at Iowa City on August 28, 1996, to review renovation needs at the Biology Building and Schaeffer Hall and to review deferred maintenance needs at the Pentacrest (Gilmore, Calvin, and Macbride Halls).
- Oakdale Correctional Facility on August 28, 1996, to tour the facility.
- College of Veterinary Medicine at Iowa State University on September 18, 1996, to tour the facility. The Fiscal Committee also visited and toured the following on campus:
 - Molecular Biology Building
 - Kildee Hall
 - Intensive Livestock Research Site
 - Engineering Program - Marston Hall

The LFB also organized and staffed a special meeting of the Fiscal Committee in January 1996 to provide an update of the impact of pending federal legislation.

APPENDIX E

ELECTRONIC PUBLISHING OF INFORMATION

The Legislative Fiscal Bureau (LFB) has started a project containing a series of computer programs to allow legislators and legislative staff on-line access to LFB information. The information which is available includes:

1. A LFB staff directory with access to electronic mail, Committee and Subcommittee assignments, and a searchable subject index.
2. Financial information including:
 - A. Appropriations Tracking - Viewing of appropriations status and amounts.
 - B. Balance Sheet - Viewing the most recent and past balance sheets.
 - C. Taxes and Receipts - Viewing of daily and historical revenue information.
 - D. Monthly Revenue Memo - Viewing of the Monthly Revenue Memo issued the first of each month.
3. Miscellaneous Information and Publications, including:
 - A. Searching and viewing of the Fiscal Update (the weekly LFB newsletter) and *Issue Reviews* published by the LFB.
 - B. Accessing an electronic version of the State Employee Salary Book. The program provides electronic searching capabilities.
 - C. Viewing a repository of miscellaneous information created by the LFB including ongoing reports and information.
 - D. Accessing the Department Budget Requests and Governor's Budget Recommendations analysis created by the LFB.
 - E. Viewing the LFB Factbook, which is statistical summary information.
4. Fiscal Notes and Bill Summaries:
 - A. Viewing the executive summaries of Notes on Bills and Amendments (NOBA).

- B. The Fiscal Note System - Accessing the status of written and pending fiscal notes, displaying filed fiscal notes, and viewing a historical index of fiscal notes from past sessions.

Each computer program has a help file which is intended to assist the user in running each of the programs.

The LFB Electronic Publishing of Information operates in the Designer Workbench Mapper mainframe program. Please type the word "Fiscal" and transmit to access the introductory menu. The button "Fiscal" in the main Computer Support Bureau program "Genmenu" will access the user to the LFB area.



The Legislative Fiscal Bureau has developed a logo to assist in the location of products associated with the Electronic Publishing of Information. Whenever the logo is displayed, that information is available on-line through the LFB's "Fiscal" Program.

The LFB is continuing development of the Electronic Publishing system during the session and the coming interim. If you have any suggestions or if questions or problems develop with the computer run or information, please do not hesitate to contact the LFB.

APPENDIX F

STAFF LISTING



LEGISLATIVE FISCAL BUREAU

Dennis C. Prouty, Director
Capitol, Second Floor
281-5279

STAFF ASSIGNMENTS	STAFF PERSON	PHONE	LOCATION
DEPUTY DIRECTOR	Tim Faller	281-4615	Capitol - Room 217
FISCAL ANALYSIS	Holly Lyons	281-7845	Capitol - Room 217
POLICY ANALYSIS	Douglas Wulf	281-3250	Lucas - Room G23
DATA BASE	Glen Dickinson	281-4616	Lucas - Room G23
APPROPRIATIONS SUBCOMMITTEES			
ADMINISTRATION & REGULATION			
Auditor	Deborah Anderson	281-6765	Lucas - Room G23
Commerce			
General Services			
Governor			
Management			
Secretary of State			
Ethics & Campaign Finance Disclosure	Paige Piper/Bach	281-4613	Lucas - Room G23
Inspections & Appeals			
Personnel			
Revenue and Finance			
State/Federal Relations			
Treasurer			

STAFF ASSIGNMENTS	STAFF PERSON	PHONE	LOCATION
AGRICULTURE & NATURAL RESOURCES			
Agriculture State Fair Authority	Debra Kozel	281-6767	Lucas - Room G23
Iowa Family Farm Development Authority Natural Resources	Angela Frey	281-4612	Lucas - Room G23
ECONOMIC DEVELOPMENT			
Economic Development Iowa Finance Authority Iowa Seed Capital Corporation Public Employment Relations Board Workforce Development	Jeff Robinson	281-4614	Capitol - Room 217
EDUCATION			
Board of Regents College Aid Commission	Sue Lerdal	281-7794	Capitol - Room 217
Cultural Affairs Education	Mary Shipman	281-4617	Capitol - Room 17
HEALTH & HUMAN RIGHTS			
Blind Elder Affairs Governor's Substance Abuse Coordinator Human Rights	Ron Robinson	281-6256	Lucas - Room G23
Civil Rights Public Health Veterans Affairs	Valerie Thacker	281-5270	Lucas - Room G23
HUMAN SERVICES			
Child Care County-Based Services Foster Care General Administration Institutions Juvenile Justice	Margaret Buckton	281-7942	Lucas - Room G23

STAFF ASSIGNMENTS	STAFF PERSON	PHONE	LOCATION
HUMAN SERVICES (Continued)			
Mental Health/Mental Retardation/ Developmental Disabilities Enhanced Services Social Services Block Grant	Margaret Buckton	281-7942	Lucas - Room G23
Child Support Recovery Family Investment Program, Promise Jobs, Food Stamps, Child Support Recovery Field Operations Medical Services Temporary Assistance for Needy Families (TANF) Block Grant	Larry Sigel	281-6764	Lucas - Room G23
JUSTICE SYSTEM			
Corrections Iowa Law Enforcement Academy Parole Board Public Defense	Dwayne Ferguson	281-6561	Lucas - Room G23
Indigent Defense Judicial Department Justice Department Public Safety	Diane Tegtmeyer	281-7846	Lucas - Room G23
OVERSIGHT & COMMUNICATIONS			
Iowa Telecommunications & Technology Technology Investment Account	Douglas Wulf	281-3250	Lucas - Room G23
Information Technology Services Year 2000	Glen Dickinson	281-4616	Lucas - Room G23
TRANSPORTATION, INFRASTRUCTURE, & CAPITALS			
Transportation Capitals	David Reynolds Jon Studer	281-6934 281-7799	Lucas - Room G23 Capitol - Room 217
WAYS AND MEANS			
Standing Committees	Jon Muller Jon Studer	281-4611 281-7799	Capitol - Room 217 Capitol - Room 217

STAFF ASSIGNMENTS	STAFF PERSON	PHONE	LOCATION
EDUCATION STANDING COMMITTEE School Finance	Jon Studer	281-7799	Capitol - Room 217
DATA BASE SUPPORT	David Kair	281-3685	Lucas - Room G23
	Raymond Knapp	281-5335	Lucas - Room G23
	Scott Miller	281-6301	Lucas - Room G23
ADMINISTRATIVE STAFF	Sandra Laust	281-4594	Capitol - Room 217
	Charlotte Mosher	281-5279	Capitol - Room 217
	Nicole Navara	281-6766	Lucas - Room G23