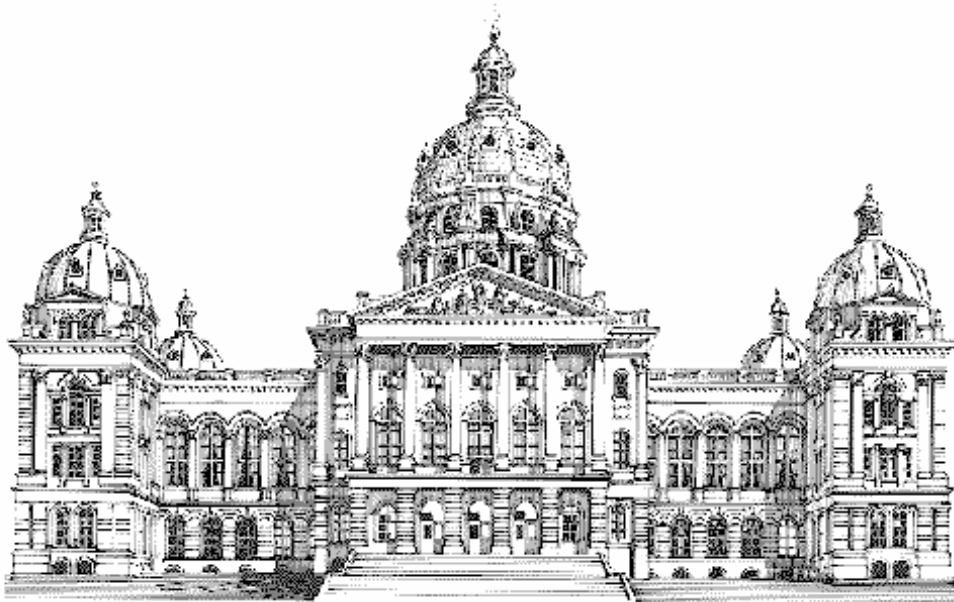


**SUMMARY OF FY 2006 BUDGET
AND
DEPARTMENT REQUESTS**



FISCAL SERVICES DIVISION

LEGISLATIVE SERVICES AGENCY

DECEMBER 2004

TABLE OF CONTENTS

	Page
Document Notes	1
2005 Iowa Legislative Session Timetable	3
Expenditure Limitation Accounts	
Explanation of Accounts	4
Table – General Fund Revenues After Expenditure Limitation	7
Flowchart – Flow of General Fund Revenues After Expenditure Limitation	8
Revenues	
FY 2006 Revenue Estimates	9
Table – Projected Condition of the General Fund	10
Rebuild Iowa Infrastructure Fund (RIIF)	12
Tobacco Settlement Trust Fund	15
Chart – General Fund Receipts and Percent of Growth FY 1996-FY 2006	18
Chart – FY 2006 Estimated Gross General Fund Receipts	19
Table – FY 2005 & FY 2006 General Fund Revenue Projection	20
General Fund Issues	
Overview of FY 2006 General Fund Department Requests	21
Chart – FY 2006 General Fund Department Requests	24
Economic Conditions and General Fund Revenue	25
Salaries and Collective Bargaining	30
Tax and Revenue Issues	37
Property Tax Issues	40
Federal Funding Issues	50
Medical Assistance Program (Medicaid)	54
Senior Living Trust Fund	62
Iowa Corrections System	65
Iowa School Foundation Formula	69
Education Issues	77
Environmental Initiatives	85
Legislative Fiscal Committee Major Issues	88

Table of Contents

Government Oversight Committee Major Issues	92
Estimated General Fund Expenditure Increases and Decreases	96
Federal Economic Stimulus and Jobs Holding Fund.....	98
Reinvention of Government.....	102
Charter Agencies.....	108
Transfer of Jurisdiction of Fund.....	115
Department of Administrative Services (DAS) Distribution	118
FY 2006 Budgets and Subcommittee Issues	
Overview.....	122
Administration and Regulation Appropriations Subcommittee	124
Agriculture and Natural Resources Appropriations Subcommittee	131
Economic Development Appropriations Subcommittee	135
Education Appropriations Subcommittee	140
Health and Human Services Appropriations Subcommittee	147
Justice System Appropriations Subcommittee	158
Transportation, Infrastructure, and Capitals Appropriations Subcommittee	166
Appendices	
A – General Fund Appropriations Tracking by Subcommittee	179
B – Projected FY 2006 Built-in and Anticipated General Fund Expenditures	20`
C – Glossary of Budget Terms	215
D – Issue Review Series	220
E – Electronic Publishing of Information.....	221
F – Legislative Services Agency Fiscal Services Division Staff Listing.....	223

FOREWORD

The purpose of this document is to provide the General Assembly with information concerning FY 2006 General Fund estimated receipts and department requests. The 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.



In addition, the document is intended to provide the General Assembly with an overview of the General Fund, including revenues, expenditures, and Full-Time Equivalent (FTE) positions. The Fiscal Services Division of the Legislative Services Agency (LSA) will be preparing a similar document in January that will review the Governor's recommendations for FY 2006.

The LSA has developed a series of computer programs to provide legislators and legislative staff with on-line access to several products compiled by the Fiscal Services Division. The explanation and product list are detailed in Appendix E, entitled, "Electronic Publishing of Information." The Fiscal Services Division web site address is <http://staffweb.legis.state.ia.us/lfb/>.



If you need additional information regarding a department request, Appendix F contains a list of Fiscal Services Division staff. Individual analysts can provide detailed information concerning each request.



Questions concerning this document should be directed to Holly M. Lyons, Fiscal Services Director, (515) 281-5279 holly.lyons@legis.state.ia.us

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 all department requests in final form to the Fiscal Services Division of the Legislative Services Agency by November 15. The FY 2006 Department requests are based on information received by the Fiscal Services Division on December 13, 2004. It should be noted that while a department has "finalized" a budget request, in past years, certain department requests have changed before the Governor presents budget recommendations in January. The Department of Administrative Services (DAS) has recently worked with DOM to distribute some of the funds appropriated to DAS to the other departments of State government. This will result in changes to both the estimated FY 05 and requested FY 06 numbers for most departments. Additionally, with the implementation of the new I/3 budget system some problems have arisen in changing numbers once entered resulting in a few errors in the data. Where fiscal analysts were able to confirm a correct number, the department summaries will reflect the correct amount and not match the overall tracking document. **Figures in this document must therefore be considered "preliminary" and not finalized.** Other items worth noting when reviewing this document include:

- Revenues and expenditures are estimated for FY 2005 and FY 2006.
- The department budget requests are compared to the estimated FY 2005 appropriation. This includes the distribution of funds from the Department of Administrative Services to individual State agencies for billings, as authorized in SF 2298 (FY 2005 Omnibus Appropriations Act, Division I Section I).
- The Governor and Lt. Governor have directed State agencies to prepare their FY 2006 budget request based on "purchasing results." The process includes creation of an inventory of all agencies' services, products, and activities (SPAs) and selling these SPAs in "packages" back to an Executive Branch purchasing team. State agencies were directed to use the new budgeting process in addition to the current statutory process based on a 75.0% base budget concept. Under this process all State spending will be tied to buying results in six key areas. More information on this process will be available once the Governor makes his budget recommendations in January.
- **Appendix A** is an appropriations tracking document showing General Fund appropriations by subcommittee. The document shows Actual 2004, Estimated 2005, Department Request 2006, a comparison column between 2005 and 2006, and a percentage change column. Normally, in addition to the attached General Fund tracking document, this analysis includes tracking documents for both Other Funds and full time equivalent (FTE) positions for each department. However, due to difficulties relating to the new I/3 budgeting system, the focus of both the DOM

Document Notes

and the Fiscal Services Division of the LSA has been on making the General Fund tracking as accurate as possible. It is hoped that the difficulties that DOM has encountered to this point with the new system will be resolved by the time the ***Legislative Analysis of Governor's Recommendations*** is completed in January and the Other Funds and FTE tracking can be included at that time.

- **Appendix B** is a listing of the projected FY 2006 built-in increases and decreases compared to estimated FY 2005.
- **Appendix C** is a glossary of budget terms.
- **Appendix D** contains a listing of the ***Issue Reviews*** completed by the Fiscal Services Division during the 2004 Interim.
- **Appendix E** contains an explanation of products available through the LSA's Electronic Publishing of Information.
- **Appendix F** contains the Fiscal Services Division staff listing and assignments.



The Fiscal Services Division of the Legislative Services Agency will issue two documents in January:

- A summary document analyzing department requests and the Governor's budget recommendations.
- A detail document for each appropriations subcommittee analyzing department requests and the Governor's budget recommendations.

2005 IOWA LEGISLATIVE SESSION TIMETABLE

(If Legislative Rules remain unchanged)

- ▶ **January 10** - First day of Session.
- ▶ **February 18** - Final day for individual bill drafts to be submitted to the Legislative Services Agency. (SR27 and HR 29)
- ▶ **March 11** - Final day for House bills to be reported out of House committees and Senate bills out of Senate committees.
- ▶ **March 21 - March 25** - House considers only House bills and unfinished business and Senate considers only Senate bills and unfinished business.
- ▶ **March 28 - April 8** - Debate not limited by rule.
- ▶ **April 8** - Final day for Senate bills to be reported out of House committees and House bills to be reported out of Senate committees.
- ▶ **April 11 - April 15** - House considers only Senate bills and unfinished business and Senate considers only House bills and unfinished business.
- ▶ **April 18** - Amendments need not be filed on the day preceding floor debate.
- ▶ **April 18** - Only the following bills are eligible for consideration:
 - ◆ Appropriations
 - ◆ Government Oversight
 - ◆ Ways and Means
 - ◆ Legalizing Acts
 - ◆ Co-sponsored by Leaders of one Chamber
 - ◆ Companion bills sponsored by House and Senate Leaders
 - ◆ Conference Committee Reports
 - ◆ Bills passed by both Chambers in different forms
 - ◆ Concurrent or Simple Resolutions
 - ◆ Bills on the Veto Calendar
 - ◆ Administrative Rules Review Committee and delayed committee bills
 - ◆ Joint Resolutions nullifying Administrative Rules
 - ◆ Unfinished business
- ▶ **April 29** - 110th calendar day of Session.

EXPENDITURE LIMITATION ACCOUNTS

Cash Reserve Fund

- For FY 2005 and FY 2006, the Cash Reserve Fund Account requires a balance of 7.5% of the adjusted General Fund revenue estimate. House File 2625 (FY 2002 Adjustments and Transfers Act) increased the maximum percentage from the previous maximum of 5.0%.
- If the balance in the Cash Reserve Fund is not at the statutory maximum for a fiscal year, a standing appropriation from the General Fund is deposited in the reserve fund in an amount up to 1.0% of the adjusted revenue estimate. The projected balance in the Cash Reserve Fund for FY 2005 is 4.8% of the current revenue estimate. Therefore, a \$47.3 million appropriation to the Cash Reserve Fund is required, which is 1.0% of the adjusted revenue estimate.
- The estimated FY 2005 beginning balance is \$159.7 million and the estimated ending balance is \$224.9 million.
- Fiscal year 2005 appropriations totaling \$159.6 million are made directly from the Cash Reserve Fund for property tax replacement programs. In previous years, those appropriations were made from the General Fund.
- Any 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 (RIIF). In recent fiscal years, the Legislature notwithstanding this provision and credited the interest to the General Fund. However, for FY 2005, Cash Reserve Fund interest will be deposited to the RIIF under current law.
- 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 below 3.75%. Approval of 60.0% of the members of both chambers and the Governor is required if the Fund is to be reduced below 3.75% of the adjusted General Fund revenue estimate.

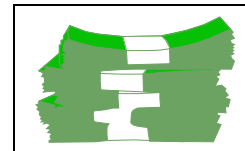


Generally Accepted Accounting Principles (GAAP) Deficit Reduction Account

- The Generally Accepted Accounting Principles (GAAP) Account receives the amount of Cash Reserve Fund moneys in excess of the required balance. If no GAAP deficit exists, the money is transferred directly to the Economic Emergency Fund.
- 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 exceeding the amounts required to retire the GAAP deficit are appropriated to the Economic Emergency Fund.

Iowa Economic Emergency Fund

- For FY 2006 and subsequent fiscal years, the maximum balance of the Economic Emergency Fund Account is 2.5% of the adjusted General Fund revenue estimate. House File 2625 (FY 2002 Adjustments and Transfers Act) decreased the maximum percentage from the previous level of 5.0%.
- The estimated beginning and ending balance for FY 2005 is \$3.3 million.
- Moneys in excess of the required balance are transferred to the following funds in priority order:
 - ◆ Endowment for Iowa's Health – \$40.0 million
 - ◆ Senior Living Trust – \$118.0 million
 - ◆ Endowment for Iowa's Health – \$131.5 million
 - ◆ General Fund – Any excess
- Interest on moneys deposited in the Fund is credited to the Rebuild Iowa Infrastructure Fund (RIIF). In recent fiscal years, the Legislature credited the interest to the General Fund. However, for FY 2005, Cash Reserve Fund interest will be deposited to the RIIF under current law.
- Moneys in the Economic Emergency Fund may be used for cash flow purposes, but must be returned by the end of the fiscal year.
- Appropriations from the Fund require approval of a majority of the members of both chambers of the General Assembly and the Governor.
- Transfers of up to \$50.0 million are allowed from the Economic Emergency Fund to the General Fund to reduce a negative ending balance in the State General Fund.



Expenditure Limitation Accounts

Rebuild Iowa Infrastructure Fund (RIIF)

- Funds in the Rebuild Iowa Infrastructure Fund (RIIF) Account must be used for public infrastructure-related expenditures.
- All State racing and gaming receipts in excess of \$60.0 million must be credited to the Rebuild Iowa Infrastructure Fund, the Vision Iowa Fund, and the School Infrastructure Fund.
- Interest on moneys deposited in the Cash Reserve Fund and the Economic Emergency Fund is credited to the Rebuild Iowa Infrastructure Fund. In recent fiscal years the Legislature credited the interest to the General Fund.
- Interest generated from the Rebuild Iowa Infrastructure Fund remains in the Fund.
- The General Assembly may allow all or part of the moneys deposited in the GAAP Account to be transferred to the Rebuild Iowa Infrastructure Fund Account instead of the Economic Emergency Fund Account.



Flow of General Fund Revenues After Expenditure Limitation

The Flow of General Fund Revenues After Expenditure Limitation table and chart on the following pages illustrates the flow of General Fund revenues under Iowa's expenditure limitation law.

Changes to the Flow of Funds Beginning in FY 2007

House File 2039 (98.0% Expenditure Limitation Act) requires that at the close of FY 2006, an amount equal to 1.0% of the adjusted revenue estimate from the General Fund surplus be appropriated to the Senior Living Trust Fund before the surplus is transferred to the Cash Reserve Fund. If the surplus is less than 2.0%, the amount appropriated to the Fund will be equal to one-half of the surplus. These appropriations are to continue until \$118.0 million has been deposited. The FY 2007 appropriation to the Senior Living Trust Fund is estimated to be \$30.7 million.

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General Fund Revenues after Expenditure Limitation

STATE OF IOWA
GENERAL FUND REVENUES AFTER EXPENDITURE LIMITATION

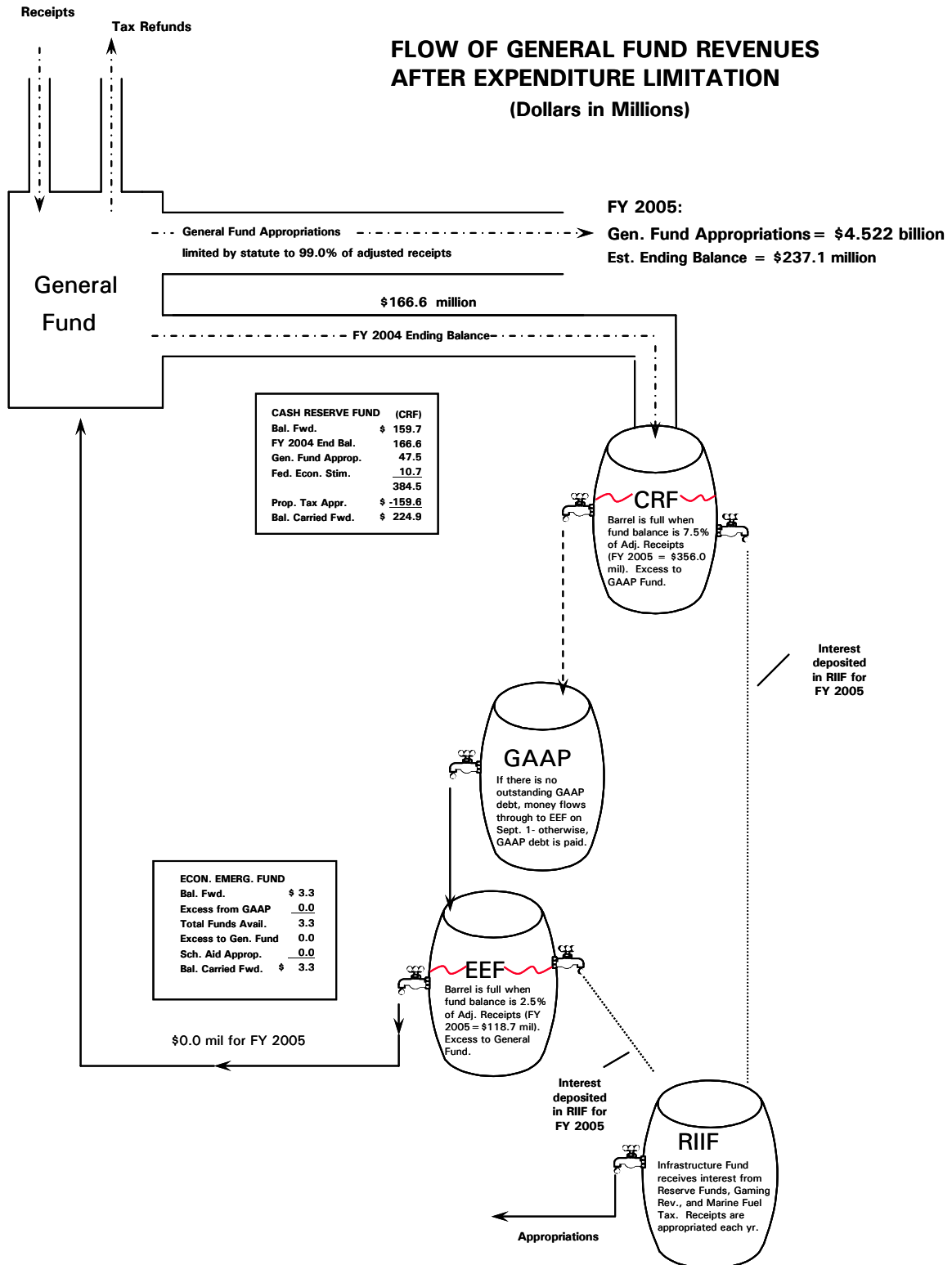
(Dollars in Millions)

SENIOR LIVING TRUST FUND SURPLUS REIMB.	Actual FY 2004	Estimated FY 2005	Estimated FY 2006	Estimated FY 2007
Balance Brought Forward	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Estimated Revenues:				
Gen. Fund Ending Bal. prior year				61.5
Total Funds Available	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>61.5</u>
Excess Transferred to CRF				- 30.7
Ending Balance	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 30.7</u>
<i>Maximum \$118.0 million</i>				\$ 118.0

CASH RESERVE FUND (CRF)	Actual FY 2004	Estimated FY 2005	Estimated FY 2006	Estimated FY 2007
Balance Brought Forward	\$ 205.5	\$ 159.7	\$ 224.9	\$ 367.7
Revenues:				
Gen. Fund Ending Bal. prior year		166.6	237.1	
Transfer from Senior Living Trust Fund				30.7
General Fund Approp. (1.0% Requirement)		47.5		
Reimbursement from RIIF	17.5			
Fed. Economic Stimulus Fund Approp.		10.7		
Total Funds Available	<u>223.0</u>	<u>384.5</u>	<u>462.0</u>	<u>398.5</u>
Transfers/Appropriations:				
Transfer to Environ. First Fund	-17.5			
Transfer to GF to Close Out FY 2003	- 45.8			
Approp. to Tax Credits in FY 2005		-159.6		
Excess Transferred to Econ. Emerg.			- 94.3	- 35.7
Balance Carried Forward	<u>\$ 159.7</u>	<u>\$ 224.9</u>	<u>\$ 367.7</u>	<u>\$ 362.8</u>
<i>Maximum 5.0%/7.5%</i>	\$ 225.7	\$ 356.0	\$ 367.7	\$ 362.8

IOWA ECONOMIC EMERGENCY FUND (EEF)	Actual FY 2004	Estimated FY 2005	Estimated FY 2006	Estimated FY 2007
Balance Brought Forward	\$ 3.3	\$ 3.3	\$ 3.3	\$ 97.6
Estimated Revenues:				
Excess from Cash Reserve	<u>0.0</u>	<u>0.0</u>	<u>94.3</u>	<u>35.7</u>
Total Funds Available	<u>3.3</u>	<u>3.3</u>	<u>97.6</u>	<u>133.2</u>
Excess Transferred to Gen. Fund				-10.6
Balance Carried Forward	<u>\$ 3.3</u>	<u>\$ 3.3</u>	<u>\$ 97.6</u>	<u>\$ 122.6</u>
<i>Maximum 5.0%/2.5%</i>	\$ 225.7	\$ 118.7	\$ 122.6	\$ 122.6

Flow of General Fund Revenues



FY 2006 REVENUE ESTIMATES

State General Fund revenues are estimated by a three-member Revenue Estimating Conference (REC), which meets quarterly. The REC was created by statute in 1987 during government reorganization. Current members are:

- Dennis Prouty, Director, LSA
- Mike Ralston, Department of Revenue Director, Governor's Designee
- David Underwood, Door Group, Inc.

The December estimate must 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 must still continue to use the lower projection established in December.

On December 14, 2004, the REC estimated FY 2006 total State General Fund tax revenues, prior to transfers, accruals, and refunds, at \$5.496 billion. This reflects growth in revenue of \$96.2 million (1.8%) compared to the REC estimate for FY 2005.

The December REC also estimated transfers to the General Fund and General Fund tax refunds. Fiscal year 2006 transfers were estimated at \$66.3 million, a decrease of \$30.6 million compared to estimated FY 2005. Fiscal year 2006 tax refunds were estimated at \$668.8 million, a decrease of \$31.8 million.

On a net revenue basis, General Fund FY 2006 revenues, after transfers, refunds, and accrued revenues, were estimated at \$4.903 billion, \$156.8 million (3.3%) above the estimated FY 2005 level.

The statutory limitation on expenditures is 99.0% of the adjusted revenue estimate plus any General Fund balances from the prior year in excess of reserve requirements. For FY 2006, no excess is anticipated.

Projected Condition of the General Fund

STATE OF IOWA
PROJECTED CONDITION OF THE GENERAL FUND

(Dollars in Millions)

	<u>Actual FY 2004</u>	<u>Est. FY 2005</u>	<u>Est. FY 2006</u>
<i>Estimated Funds Available:</i>			
Estimated Receipts 12/14/04	\$ 5,315.4	\$ 5,496.4	\$ 5,562.0
Tax Refunds	- 715.0	- 700.6	- 668.8
Accruals	83.6	- 49.6	9.8
<i>Total Funds Available</i>	<u>4,684.0</u>	<u>4,746.2</u>	<u>4,903.0</u>
<i>Expenditure Limitation</i>			4,854.0
<i>Estimated Appropriations and Expenditures:</i>			
Appropriations (Exh. 1)	4,524.8	4,521.6	4,521.6
Built-in & Anticipated Increases			565.6
Adjustment to meet Expenditure Limit			-233.2
Total Appropriations	<u>4,524.8</u>	<u>4,521.6</u>	<u>4,854.0</u>
Reversions	<u>- 7.4</u>	<u>- 12.5</u>	<u>- 12.5</u>
<i>Net Appropriations</i>	<u>4,517.4</u>	<u>4,509.1</u>	<u>4,841.5</u>
<i>Ending Balance prior to Cash Reserve Transfer</i>	<u>\$ 166.6</u>	<u>\$ 237.1</u>	<u>\$ 61.5</u>
% of Surplus to Adjusted Revenue Est. to determine Senior Living Trust Fund payment			1.3%

STATE OF IOWA
GENERAL FUND APPROPRIATIONS

(Dollars in Millions)

Exhibit 1

Appropriations by Subcommittee	Actual FY 2004	Est. FY 2005	Est. FY 2006*
Admin. & Regulation Sub.	\$ 96.8	\$ 91.9	\$ 91.9
Ag. & Natural Resources Sub.	34.3	34.2	34.2
Economic Development Sub.	22.5	28.7	28.7
Education Sub.	882.4	891.9	891.9
Health & Human Services Sub.	750.5	778.7	778.7
Justice System Sub.	503.4	513.4	513.4
Trans. and Capitals Sub.	- 0.1	0.1	0.1
Other Unassigned Standings	2,235.0	2,182.7	2,182.7
Total Appropriations	\$ 4,524.8	\$ 4,521.6	\$ 4,521.6

Appropriation Adjustments	Actual FY 2004	Est. FY 2005	Est. FY 2006*
Legislative Action	\$ 4,558.8	\$ 4,464.3	\$ 4,521.6
Special Session	3.9		
Item Veto	- 0.3	- 0.1	
Charter Agency Adjustment	10.6		
Across-the-Board Reduction	- 82.5		
Adj. To Standings	25.0	3.4	
Supplemental Appropriations	1.0	6.5	
Across-the-Board Restoration	8.3		
Cash Reserve Fund Approp. (1% Requirement)		47.5	
Total Appropriations	\$ 4,524.8	\$ 4,521.6	\$ 4,521.6

*Estimated FY 2006 assumes the same appropriation level as FY 2005 for balance sheet projection purposes only.

Rebuild Iowa Infrastructure Fund

STATE OF IOWA

REBUILD IOWA INFRASTRUCTURE FUND

	Actual FY 2004	Estimated FY 2005	Estimated FY 2006
Resources			
Balance Forward	\$ 1,032,047	\$ 14,884,272	\$ 8,431,305
Revenue			
Wagering Tax Allocation	79,728,685	88,900,000	75,900,000
Endowment for Iowa's Health Account Transfer	0	10,966,960	0
Wagering Tax Transfer to General Fund	-10,000,000	0	0
Cash Reserve Fund	17,500,000	0	0
Cash Reserve Fund Reimbursement	-17,500,000	0	0
Interest	216,439	1,000,000	2,000,000
Marine Fuel Tax	2,352,388	2,300,000	2,300,000
Environment First Reversion	0	286	0
Total Resources	\$ 73,329,559	\$ 118,051,518	\$ 88,631,305
Appropriations			
Management			
Vertical Infrastructure Fund	\$ 0	\$ 0	\$ 15,000,000
Environment First Fund	35,000,000	35,000,000	35,000,000
Administrative Services/General Services			
Routine Maintenance	1,664,000	2,000,000	0
Employee Relocation Expenses/Leases	631,449	2,271,617	0
Pool Tech/Data Warehouse Projects	0	1,861,496	0
Major Maintenance	0	4,300,000	0
Records and Property Building Remodel	4,750,000	5,000,000	4,700,000
Monument Lighting	0	35,000	0
Wallace Bldg. Study	50,000	0	0
Lab. Facility - Maintenance/Operation	0	355,500	0
Records Relocation	729,237	0	0
Medical and Education Building	250,000	0	0
African-American Museum	300,000	0	0
Pooled Technology Projects	2,000,000	0	0
Blind			
Orientation Center	0	67,000	0
Corrections			
Electrical System Lease Purchase	333,168	333,168	0
Davenport CBC Facility Construction	0	3,000,000	3,750,000
Luster Heights Expansion	92,000	0	0
Clarinda Bed Expansion	730,400	0	0
Cultural Affairs			
Historical Preservation Grant Program	830,000	500,000	0
Iowa Battle Flags	150,000	100,000	0
State Hist. Society - Medal of Honor Kiosk	125,000	0	0
Economic Development			
Local Housing/IFA Housing Trust Fund	800,000	0	0
Lewis & Clark Bicentennial	0	50,000	0
Non-Profit Family Recreation Grant	0	200,000	0
National Special Olympics Games	0	500,000	0
Accelerated Career Education (ACE) Program	3,000,000	5,500,000	0

Rebuild Iowa Infrastructure Fund

	Actual FY 2004	Estimated FY 2005	Estimated FY 2006
Education			
Enrich Iowa Libraries	600,000	600,000	0
ICN Part III Maintenance/Lease Costs	2,727,000	2,727,000	0
Secure an Advance Vision for Education (SAVE)	0	10,000,000	10,000,000
Parker Building Remodel	0	303,632	0
IPTV - High Definition TV Conversion	0	8,000,000	8,000,000
Natural Resources			
Destination Park	0	500,000	0
State Fair			
Fair Improvements	0	250,000	0
Public Defense			
Iowa City Readiness Center	195,000	2,150,000	0
Facility Maintenance	0	1,269,636	0
Boone Armory Addition	0	1,096,000	0
Fort Dodge Readiness Center	750,000	750,000	0
Public Safety			
Capitol Building Security	800,000	800,000	0
Capitol Complex Security Upgrades	0	300,000	0
AFIS Lease Purchase	0	550,000	0
Iowa System Grant Match	0	500,000	0
Fire Equipment Revolving Loan Fund	500,000	500,000	0
Fire Training Facilities	50,000	150,000	0
Transportation			
Aviation Improvement Program	500,000	500,000	0
Commercial Aviation Infrastructure	0	1,100,000	0
Recreational Trails	0	0	0
General Aviation Airport Grants	0	581,400	0
Treasurer			
Community Attraction & Tourism	0	12,000,000	5,000,000
County Fairs Infrastructure	0	1,060,000	0
Veterans Affairs			
Veterans Trust Fund	0	1,000,000	0
Regents			
Tuition Replacement	350,000	858,764	0
Special School Maintenance	200,000	500,000	0
UNI - Program for Playground Safety	500,000	500,000	0
Net Appropriations	\$ 58,607,254	\$ 109,620,213	\$ 81,450,000
Reversions	-161,967	0	0
Ending Balance	\$ 14,884,272	\$ 8,431,305	\$ 7,181,305

**Tobacco Settlement Trust Fund
Restricted Capital Fund**

	Actual	Actual	Actual	Estimated		
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Resources						
Balance Forward	0.00	427,692,578.19	253,238,010	\$ 114,937,654	\$ 50,743,994	\$ 20,367,338
Balance Adjustment	0.00	45,002.00	0	0	0	0
Tax-Exempt Bond Proceeds	540,045,010.00	0.00	0	0	0	0
Interest	13,208,002.19	12,812,977.66	11,263,696	4,000,000	1,800,000	600,000
Reimbursement TSA Operations	307.00	0.00	416,928	0	0	0
Reimbursement Enforcement Account	0.00	0.00	234,152	0	0	0
TSA Operations & Enforcement Acct Exp.	-128,131.00	-423,972.00	-581,505	-200,000	-200,000	-200,000
Total Available Resources	553,125,188.19	440,126,585.85	264,571,281	\$ 118,737,654	\$ 52,343,994	\$ 20,767,338
Appropriations						
Dept. of Economic Development						
Accelerated Career Education (ACE) Program	2,500,000.00	2,500,000.00	2,500,000	\$ 0	\$ 0	\$ 0
Advanced Research and Commercialization	0.00	3,268,696.00	0	0	0	0
Dept. of Education						
IPTV - High Definition TV Conversion	2,400,000.00	1,000,000.00	10,000,000	0	0	0
Dept. of Administrative Services						
Major Maintenance	11,500,000.00	15,750,000.00	11,500,000	0	0	0
Capitol Interior Renovation	1,700,000.00	2,700,000.00	0	3,500,000	0	0
Capitol Interior Renovation N.E. Quadrant	0.00	5,000,000.00	6,239,000	0	0	0
Des Moines Metro. Medical Center Option	500,000.00	0.00	0	0	0	0
Parking Structure	0.00	3,400,000.00	0	0	0	0
Property Appraisal	250,000.00	0.00	0	0	0	0
Parking Lot 8 Design & Removal	0.00	93,000.00	0	0	0	0
Micrographics Building Demolition	0.00	170,000.00	0	0	0	0
Capitol Complex Security Upgrades	0.00	1,000,000.00	0	0	0	0
Records & Property Bldg. Renovation	0.00	1,600,000.00	0	0	0	0
Property Acquisition & Site Development	200,000.00	0.00	0	0	0	0
Laboratory Facility	16,670,000.00	16,670,000.00	16,660,000	0	0	0
Information Technology Department						
Integrated Information for Iowa System	0.00	4,400,000.00	6,131,075	6,049,284	0	0
State Fair Authority						
State Fair Maintenance	500,000.00	500,000.00	500,000	0	0	0
Dept. of Natural Resources						
Destination State Park	1,000,000.00	1,000,000.00	3,000,000	0	0	0
Restore the Outdoors Program	2,500,000.00	2,500,000.00	2,500,000	0	0	0
Lewis & Clark Rural Water System	0.00	281,400.00	1,500,000	2,450,000	2,500,000 ¹	0

**Tobacco Settlement Trust Fund
Restricted Capital Fund**

	Actual	Actual	Actual	Estimated		
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Dept. of Public Defense						
Armory Maintenance	700,000.00	700,000.00	1,269,636	0	0	0
Boone Armory	0.00	111,000.00	1,095,000	0	0	0
Waterloo Armory	0.00	612,100.00	0	0	0	0
Estherville Readiness Center	400,000.00	400,000.00	461,000	0	0	0
Dept. of Public Safety						
Capitol Complex Security Upgrades	0.00	0.00	1,000,000	0	0	0
Dept. of Transportation						
Commercial Aviation Infrastructure	1,000,000.00	1,100,000.00	1,100,000	0	0	0
General Aviation Airports	500,000.00	581,400.00	581,400	0	0	0
Recreational Trails	1,000,000.00	2,000,000.00	1,000,000	0	0	0
Dept. of Corrections						
Fort Madison Prison Expansion	6,400,000.00	2,000,000.00	0	0	0	0
Security Fencing	0.00	3,523,850.00	0	0	0	0
Oakdale Bed Expansion	0.00	4,100,000.00	7,500,000	11,700,000	11,700,000 ¹	0
Oakdale Water Access	100,000.00	0.00	0	0	0	0
Mitchellville Waste Water Facility	364,400.00	0.00	0	0	0	0
Board of Regents						
Regents - Tuition Replacement	600,860.00	10,503,733.00	10,610,409	10,437,174	10,649,547 ²	9,991,858 ²
SUI- Old Capitol Improvements	0.00	0.00	350,000	0	0	0
Regents - Lakeside Lab Facility	0.00	390,000.00	0	0	0	0
ISU - Gilman Hall	2,500,000.00	0.00	0	0	0	0
ISU - Classrooms & Auditoriums	0.00	2,112,100.00	10,177,300	1,949,100	0	0
ISU - Business Building	4,200,000.00	6,700,000.00	0	0	0	0
ISU - Livestock Research Facility	0.00	2,797,000.00	0	0	0	0
ISU - Plant Sciences	0.00	4,148,000.00	0	0	0	0
SUI - School of Journalism Building	0.00	2,600,000.00	7,200,000	3,575,000	0	0
SUI - Biology Building Renovation	7,300,000.00	3,000,000.00	0	0	0	0
SUI - Art Building	4,453,000.00	7,910,000.00	3,653,000	0	0	0
UNI - Teaching Center Bldg. (East Gym)	0.00	1,730,000.00	6,490,000	9,880,000	0	0
UNI - McCollum Hall	5,800,000.00	8,400,000.00	0	0	0	0
UNI - Steam Distribution	3,990,000.00	4,320,000.00	4,390,000	0	0	0
Special Schools	835,000.00	885,000.00	0	0	0	0

**Tobacco Settlement Trust Fund
Restricted Capital Fund**

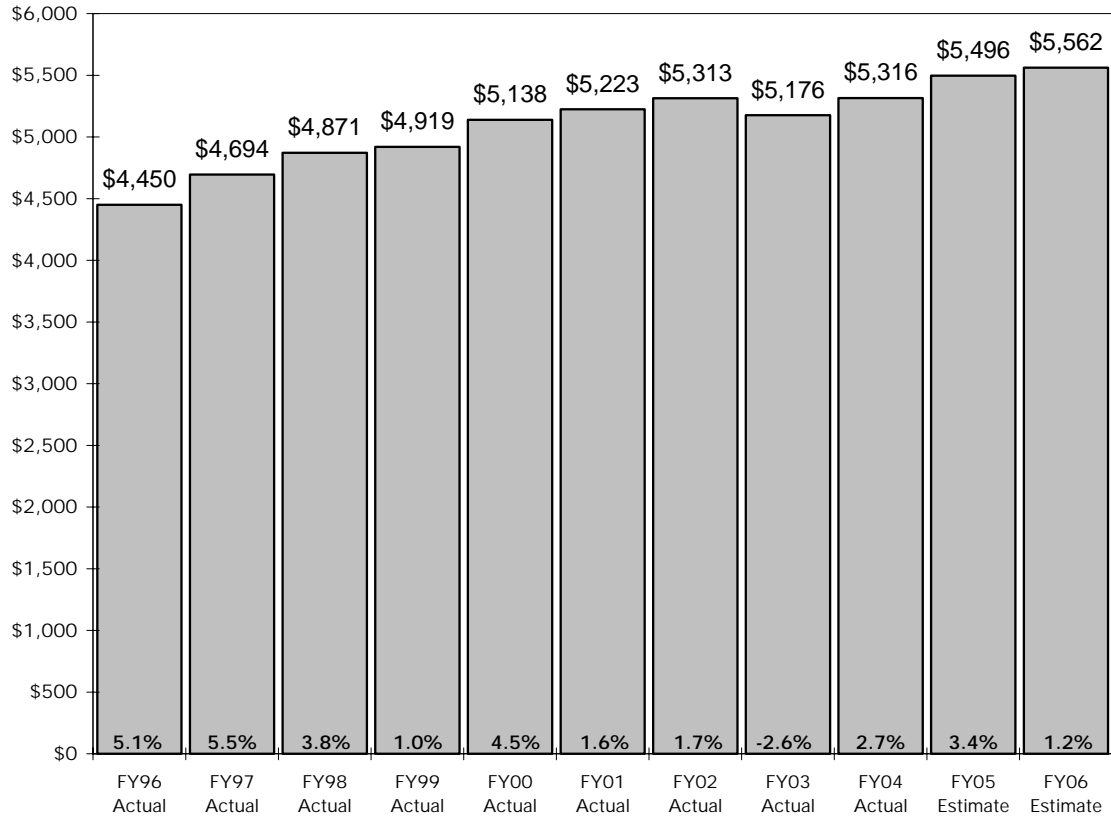
	Actual	Actual	Actual	Estimated		
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Treasurer of State						
County Fairs	1,060,000.00	1,060,000.00	1,060,000	0	0	0
Attorney Litigation Payments	10,617,000.00	14,924,000.00	700,000	0	0	0
Attorney Litigation Payments Supplemental	944,880.00	646,076.00	0	0	0	0
ICN - Debt Service	1,465,443.00	13,044,784.00	13,039,378	13,039,778	1,704,719 ²	0
Prison Construction Debt Service	5,182,089.00	5,417,250.00	5,411,986	5,413,324	5,422,390 ²	5,416,604 ²
Community Attraction/Tourism	12,500,000.00	12,500,000.00	12,500,000	0	0	0
Telecommunications & Technology Commission						
ICN - ATM Conversion	3,500,000.00	5,000,000.00	0	0	0	0
Dept. of Human Services						
Alternative Services Facility Construction	0.00	200,000.00	0	0	0	0
Judicial Branch						
Pave 12th Street South of Court Ave	0.00	700,000.00	0	0	0	0
Building Furnishings	0.00	1,250,000.00	0	0	0	0
Facility Design/Construction	10,300,000.00	0.00	0	0	0	0
Total Appropriations	<u>125,432,672.00</u>	<u>187,199,389.00</u>	<u>150,119,184</u>	<u>\$ 67,993,660</u>	<u>\$ 31,976,656</u>	<u>\$ 15,408,462</u>
Reversions	-62.00	-310,813.00	-485,557	0	0	0
Ending Balance	<u>427,692,578.19</u>	<u>253,238,009.85</u>	<u>\$ 114,937,654</u>	<u>\$ 50,743,994</u>	<u>\$ 20,367,338</u>	<u>\$ 5,358,876</u>

¹ Enacted in prior legislative sessions.

² The debt service appropriations for FY 2006 and FY 2007 have not been appropriated but are considered obligations of the Fund.

General Fund Receipts and Percent of Growth

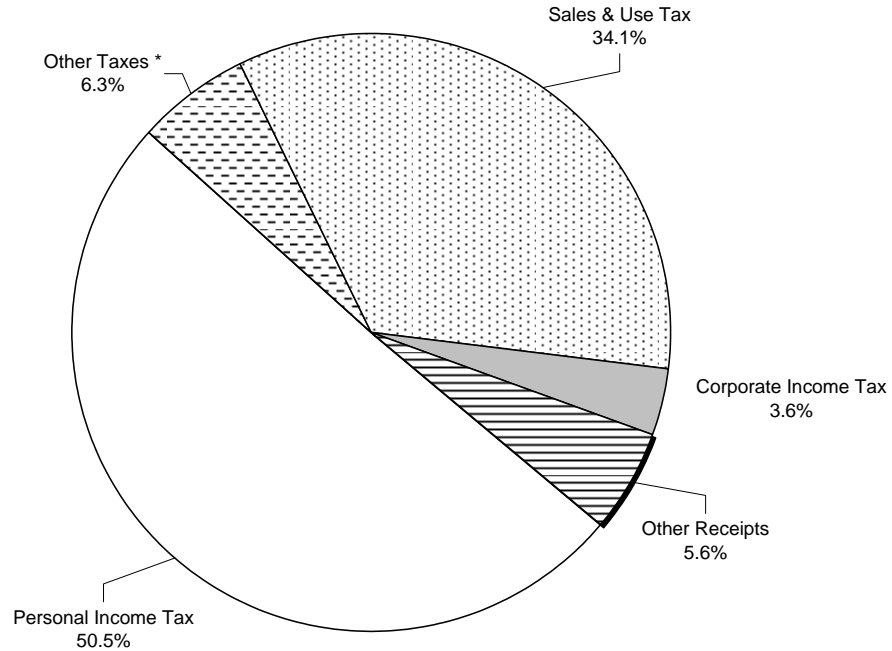
STATE GENERAL FUND RECEIPTS AND GROWTH PERCENT FY 1996 - FY 2006



(Dollars in Millions)

Note: FY 2005 and FY 2006 figures are as estimated by the December 14, 2004, Revenue Estimating Conference. The amounts reflect tax revenues, other receipts, and transfers deposited to the General Fund. The amounts are not adjusted for tax refunds and accrued revenue adjustments.

FY 2006 ESTIMATED GROSS GENERAL FUND RECEIPTS



Total Estimated FY 2006 General Fund Receipts: \$5.496 billion

Note: As estimated by the December 14, 2004, Revenue Estimating Conference.
Cash basis total revenues. Does not include \$66.3 million in transfers, or adjustments for net accrued revenues and refunds.
Totals may not add due to rounding.
* Other Taxes include: Inheritance, Insurance, Cigarette, Tobacco, Beer, and Franchise Tax

General Fund Revenue Projection

FY 2005 AND FY 2006 GENERAL FUND REVENUE PROJECTIONS

(Dollars in Millions)

	FY 2004	% Change	REC	% Change	REC	% Change
	Actual	FY 2004 vs.	FY 2005	FY 2005 Est.	FY 2006	FY 2006 Est.
		FY 2003	Estimate	vs. FY 2004	Estimate	vs. FY 2005
Tax Receipts						
Personal Income Tax	\$2,592.3	7.2%	\$2,716.7	4.8%	\$2,766.9	1.8%
Sales/Use Tax	1,732.4	1.6%	1,766.8	2.0%	1,801.9	2.0%
Corporate Income Tax	234.8	-0.9%	230.6	-1.8%	266.5	15.6%
Inheritance Tax	80.1	-9.1%	77.7	-3.0%	76.4	-1.7%
Insurance Premium Tax	138.2	-2.8%	145.0	4.9%	145.0	0.0%
Cigarette Tax	87.1	-1.1%	88.0	1.0%	88.0	0.0%
Tobacco Tax	8.0	8.1%	8.2	2.5%	8.2	0.0%
Beer Tax	14.0	0.0%	14.0	0.0%	14.1	0.7%
Franchise Tax	38.0	7.6%	35.3	-7.1%	35.3	0.0%
Miscellaneous Tax	1.1	0.0%	1.0	-9.1%	1.0	0.0%
Total Tax Receipts	4,926.0	4.0%	5,083.3	3.2%	5,203.3	2.4%
Other Receipts						
Institutional Payments	13.7	-15.4%	13.0	-5.1%	13.0	0.0%
Liquor Profits	58.0	18.4%	60.1	3.6%	60.1	0.0%
Interest	7.6	-58.0%	7.0	-7.9%	7.5	7.1%
Fees	79.8	10.5%	65.1	-18.4%	66.8	2.6%
Judicial Revenue	57.6	5.3%	57.3	-0.5%	57.3	0.0%
Miscellaneous Receipts	55.3	33.9%	53.7	-2.9%	27.7	-48.4%
Racing and Gaming	60.0	0.0%	60.0	0.0%	60.0	0.0%
Total Other Receipts	332.0	6.6%	316.2	-4.8%	292.4	-7.5%
Total Taxes & Other Receipts	5,258.0	4.2%	5,399.5	2.7%	5,495.7	1.8%
Transfers						
Lottery	43.9	12.9%	56.9	29.6%	57.5	1.1%
Other Transfers	13.6	-84.9%	40.0	194.1%	8.8	-78.0%
Total Transfers	57.5	-55.4%	96.9	68.5%	66.3	-31.6%
Total Receipts & Transfers	5,315.5	2.7	5,496.4	3.4%	5,562.0	1.2%
Accrued Revenue (net)	83.0		-49.6		9.8	
Tax Refunds	-715.0	10.5%	-700.6	-2.0%	-668.8	-4.5%
Net General Fund Receipts	\$4,683.5	4.5%	\$4,746.2	1.3%	\$4,903.0	3.3%

Note: The Revenue Estimating Conference estimated FY 2005 and FY 2006 General Fund revenues on December 14, 2004. The individual revenue items are projected on a July 1 to June 30 gross cash year basis and do not reflect accrued revenues. The revenue total is adjusted for accruals by the Accrued Revenue (net) line at the bottom of the table. Tax refunds are reported on a fiscal year basis.

OVERVIEW OF FY 2006 GENERAL FUND DEPARTMENT REQUESTS

Statute requires department budget requests to be submitted to the Department of Management by October 1, 2004, and finalized by November 15. Most departments developed budgets in late summer and early fall. All departments have developed FY 2006 budget requests. On June 11, 2004, the Department of Management (DOM) issued guidelines to State agencies related to the development of the FY 2006 budget requests. The budget guidelines are summarized below:

Governor's New Budget Process: The Governor and Lt. Governor have directed State agencies to prepare their FY 2006 budget request based on "purchasing results." The process includes creation of an inventory of all agencies' services, products, and activities (SPAs) and selling these SPAs in "packages" back to an Executive Branch purchasing team. State agencies were directed to use the new budgeting process in addition to the current statutory process based on a 75.0% base budget concept. Under this process all State spending will be tied to buying results in six key areas:

- ✦ Transforming Iowa's economy
- ✦ Improving student achievement
- ✦ Keeping Iowans healthy
- ✦ Ensuring Iowa's communities are safe
- ✦ Preserving the quality of our natural resources
- ✦ Increasing government accountability

The DOM has indicated the Governor will make final selections of "packages" to be presented in his budget recommendation for FY 2006. Additional, more detailed information will be presented to the General Assembly after the Governor's budget is officially released.

Government Reinvention Charter Agencies: Charter agency budgets for FY 2006 will continue to reflect the budget savings and additional revenue achieved during FY 2005.

Span of Control Considerations: Governor Vilsack and Lt. Governor Pederson established a goal to bring State government's span of control up to a 12:1 ratio. The present the span of control is 10.9:1. Agencies were directed to work toward this goal as FY 2005 spending plans and FY 2006 budget requests are developed.

FY 2005 Gaming Receipts and FY 2006 Budget Requests: When making FY 2005 appropriations from the Rebuild Iowa Infrastructure Fund (RIIF), the Legislature assumed the State would receive \$23.0 million from license fees during FY 2005 as a result of allowing table games at the land-based casinos. While it is anticipated that the land-based casinos will apply for these licenses, which must be done by June 1, 2005, there is no guarantee that the tracks will do so. The likelihood is strong that the tracks will purchase the licenses, since they will be reimbursed for the cost of the license via a tax credit over five years. However, if they elect not to do so, the projected gaming revenues would not support all of the FY 2005 RIIF appropriations. The Department of Management will be monitoring this situation to determine whether or not restrictions on the RIIF appropriation allocations need to be implemented during FY 2005.

General Fund Department Requests

Any increase in gaming receipts associated with the expansion of the number of gambling facilities in Iowa will likely not occur until after FY 2006. Therefore, the gaming receipts for FY 2006 are projected to be about the same as FY 2005. Agencies were directed to consider this when preparing requests for funding from RIF or the Environment First Account.

Early Retirement Issues: The State has approved three early out retirement programs. In all three programs, the incentives offered were spread over five years. Agencies were directed to ensure that FY 2006 budget requests include the payment of these incentives for participants for the first two early out programs.

During the 2004 Legislative Session, the third early out incentive program was approved. That program also provides for participating employees to receive their incentive payment over a five-year period. Employees wishing to participate were required to submit their application by May 21, 2004, and leave State government between July 2 and August 12, 2004. Agencies were directed to include 20.0% of the cost of the incentive payment for these participants in the FY 2006 budget requests. The legislation provided no restriction on the ability to refill these positions. Each department is to incorporate this issue within the FY 2005 spending plans.

Department of Administrative Services Allocation to Other Departments: The Legislature appropriated \$10.8 million from the General Fund in FY 2005 to the Department of Administrative Services (DAS) and provided that the moneys "shall be separately accounted for in a distribution account and shall be distributed to other governmental entities based upon formulas established by the department to pay for services provided governmental entities by the Department..."

The DAS met with departments to explain the methodology for distribution of these funds. At this point, DAS believes that this amount, coupled with \$3.0 million appropriated to deal with federal over-billing, will be sufficient to cover their billings for FY 2005. A plan has been developed to allow these transfers to occur in July 2004, which will allow departments to build their new receipts and DAS billings into their FY 2006 budget requests.

Miscellaneous Budget Issues: Because FY 2006 is the first year of a fiscal biennium, agencies are required to enter appropriation requests for two years into the budget system. Agencies are not being required to make "offers" for the second year. However, costs that are projected to increase in FY 2007 based on FY 2006 requests are to be reflected. State agencies are not being offered the option of submitting a status quo budget for FY 2006.

Additional detail concerning the budget guidelines provided by the Department of Management to state agencies is available upon request from the Fiscal Services Division.

Base Budget Request: The typical departmental requests contain 75.0% of the prior year's budget as a base, with individual decision packages to justify an increase in funding above the 75.0% level.

For FY 2006, the department requests total \$4.750 billion from the General Fund. This is an increase of \$228.7 million (5.1%) compared to estimated FY 2005. This request does not include any required FY 2006 salary adjustment or requests for FY 2005 supplemental appropriations. The FY 2006 requests, listed by appropriation subcommittee and unassigned standings, appear in the following table.

Department FY 2006 General Fund Requests

(Dollars in Millions)

Subcommittee	Est. FY 2005	Dept. Req. FY 2006	FY 2006 vs. FY 2005	Percent Change
Administration & Regulation	\$ 81.6	\$ 79.8	\$ -1.8	-2.2%
Agriculture & Natural Resources	34.9	37.0	2.1	6.0%
Economic Development	29.4	29.4	0.0	0.0%
Education	892.9	955.9	63.0	7.1%
Health & Human Services	784.7	850.3	65.6	8.4%
Justice System	515.3	530.4	15.1	2.9%
Trans, Infrastructure, & Capitals	0.1	0.1	0.0	0.0%
Unassigned Standings	2,182.7	2,267.4	84.7	3.9%
TOTAL	<u>\$ 4,521.6</u>	<u>\$ 4,750.3</u>	<u>\$ 228.7</u>	<u>5.1%</u>

The sum of the numbers may not equal totals due to rounding.

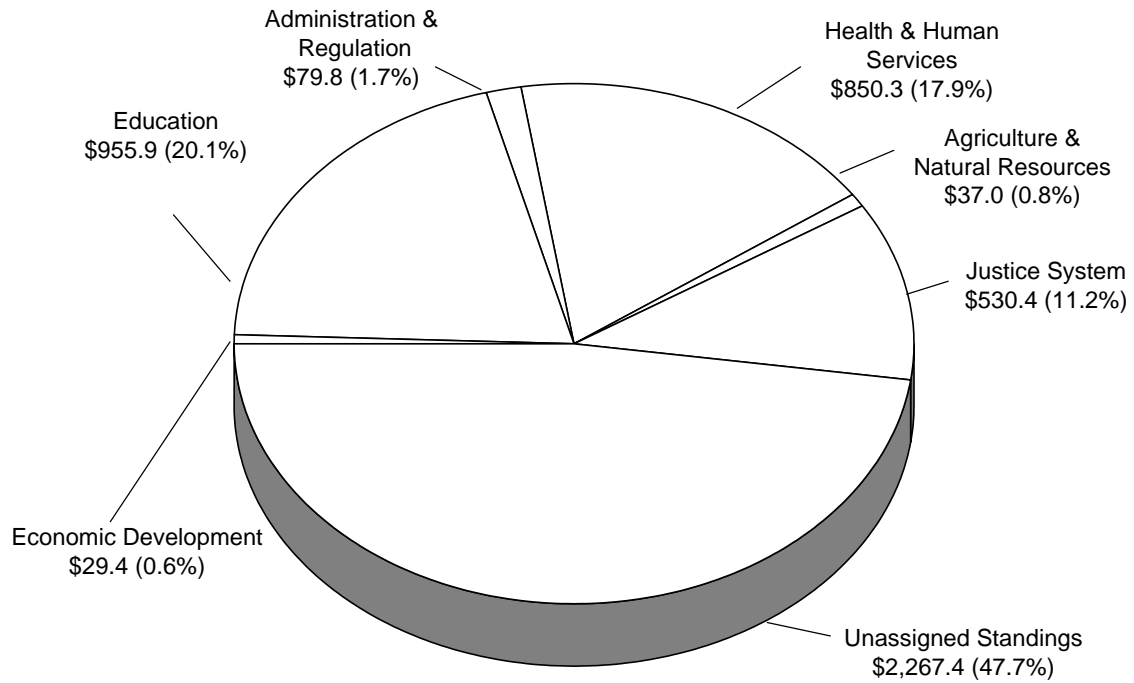
Note: The FY 2006 department requests were submitted to the DOM and transmitted to the Fiscal Services Division on December 13, 2004.

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General Fund Department Requests

FY 2006 GENERAL FUND DEPARTMENT REQUESTS

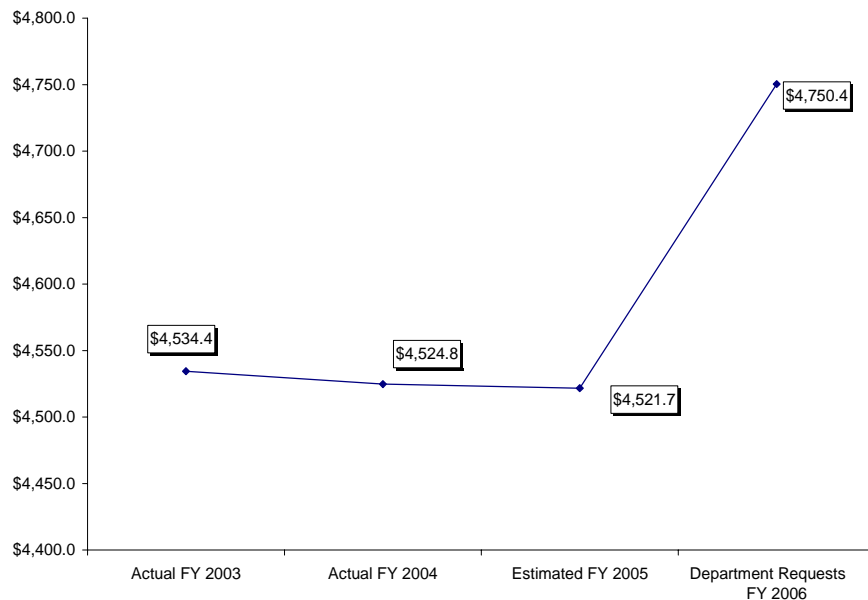
Total FY 2006 Requests: \$4,750.4 million
(Dollars in Millions)



Totals may not add due to rounding.

Appropriations and Department Requests FY 2003 - FY 2006

(Dollars in Millions)



ECONOMIC CONDITIONS AND GENERAL FUND REVENUE

National Economy

National Recession – There are several national economic groups that classify U.S. economic periods as either expansion or recession. The official federal government source is the Business Cycle Dating Committee of the National Bureau of Economic Research. On November 26, 2001, this Committee announced the longest business expansion in the nation’s history had ended during March of 2001, ten years after the end of the previous recession. On July 16, 2003, the Committee announced the recession had ended during November 2001, eight months after it began. The Committee notes that the average recession in the post-World War II era has lasted eleven months.



The Committee defines a recession as a period of significant decline in total output, income, employment, and trade, usually lasting six months to one year, and marked by a widespread contraction in many sectors of the economy. The Committee does not define a recession as simply two consecutive quarters of decline in real Gross Domestic Product.

According to the Committee, “A recession begins just after the economy reaches a peak of activity and ends as the economy reaches its trough. Between trough and peak, the economy is in an expansion. Expansion is the normal state of the economy; most recessions are brief and have been rare in recent decades.” A recession involves a substantial decline in output and employment. In the past six recessions, industrial production decreased by an average of 4.6% and employment by 1.1%. The Committee waits until the data show whether or not a decline is large enough to qualify as a recession before declaring a turning point in the economy is a true peak marking the onset of a recession.

United States Business Cycle National Bureau of Economic Research Business Cycle Dating Committee Six most recent recessions			
End of Expansion (Peak)	End of Contraction (Trough)	Length of Expansion in Months	Length of Recession in Months
Dec. 1969	Nov. 1970	106	11
Nov. 1973	Mar. 1975	36	16
Jan. 1980	July. 1980	58	6
Jul. 1981	Nov. 1982	12	16
Jul. 1990	Mar. 1991	92	8
Mar. 2001	Nov. 2001	120	8

Contractions (recessions) start at the peak of a business cycle and end at the trough.

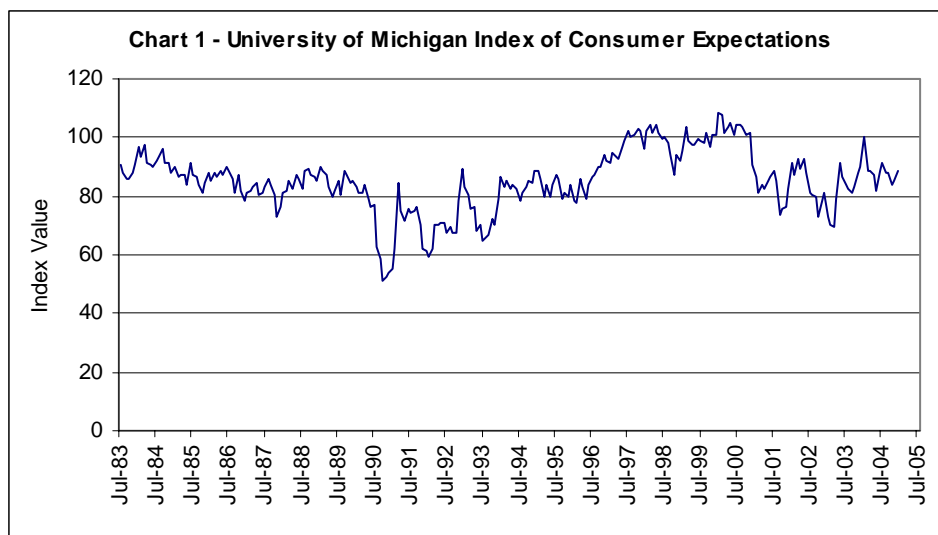
Economic Conditions and General Fund Revenue

Institute for Supply Management Index – The Institute for Supply Management has conducted a monthly survey of business purchasing officers since 1948. The survey's results produce a Purchasing Manager's Index (PMI). The PMI is a composite index based on the seasonally adjusted diffusion indexes for five of the indicators (New Orders, Production, Supplier Deliveries, Inventories, and Employment) with varying weights. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. A PMI reading above 50.0% indicates the manufacturing economy is generally expanding; below 50.0%, indicates it is generally declining. A PMI over 42.7%, over a period of time, indicates the overall economy, or Gross Domestic Product (GDP), is generally expanding. A PMI below that level indicates the economy is generally declining.

In February 2002, an index above 50.0 was recorded for the first time in 18 months. For the next 18 months, the Index hovered near 50.0, averaging 51.4 during that time. Since July 2003, the U.S. Index has averaged 60.0 and it stands at 57.8 for November 2004. The recent numbers for the U.S. economy are encouraging. A graph depicting the history of the Index is included in the Iowa economy section

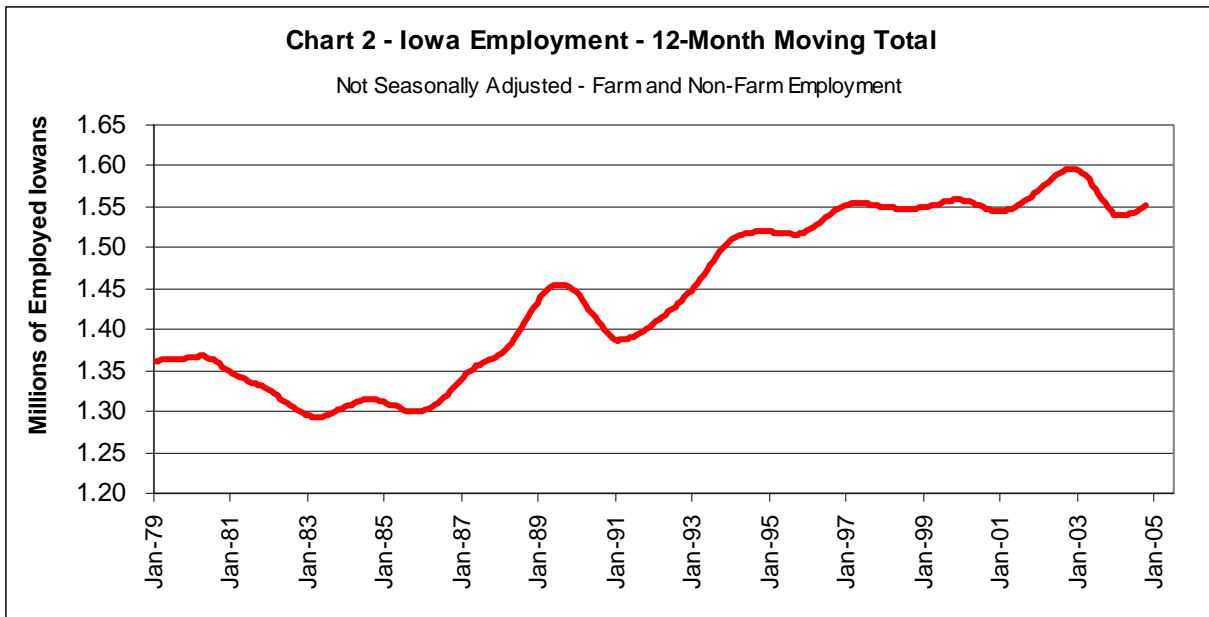
Consumer Confidence – Each month, researchers at the University of Michigan conduct a Survey of Consumers to determine the views and expectation of consumers concerning their sentiment for the present and future direction of the U.S. economy. The survey result is called the Index of Consumer Expectations. The Index focuses on how consumers view prospects for the general economy over the long term.

Chart 1 shows consumer confidence as reported by the Index reached a peak in January 2000 and the Index generally declined for the next 38 months, reaching a low in March 2003. For November 2004 the value was 85.2, off from its most recent peak value of 100.1 in January 2004.



Iowa Economy

Iowa Employment – After recovering in the mid 1980s from the lingering effects of the farm crisis and the recession of the early 1990’s, Iowa total employment increased each year until Iowa had one of the lowest unemployment rates in the nation. According to current Bureau of Labor Statistics (BLS) data, Iowa’s unadjusted employment level peaked at 1,627,000 in June 2002, an increase of 260,000 from the early 1990s recession low (January 1991). Since the June 2002 peak, BLS statistics show Iowa has lost 60,000 jobs. **Chart 2** shows the growth period of the 1990’s and the recent downturn as a twelve-month moving average. It should be noted however, that BLS employment statistics are subject to large revision to historic data. A significant revision to 2002 and 2003 data could noticeably change the shape of this graph.

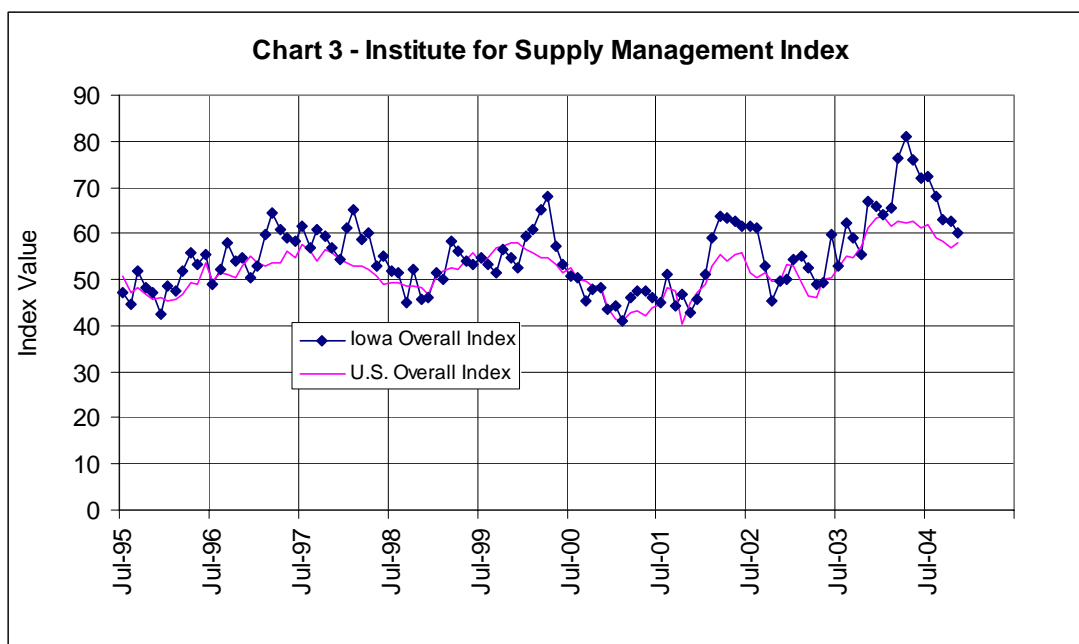


Iowa Purchasing Managers’ Index – Creighton University produces a monthly index based on a survey of purchasing managers for businesses within the Mid-American region of the country. The Creighton survey produces index values for the region and for each state in the region. The survey methodology is the same as the national survey completed by the Institute for Supply Management. **Chart 3** shows the Iowa index value and the national value graphed together. The chart shows:

- The trend of the Iowa index is very similar to the trend of the national index.
- The Iowa index was above the national index for a majority of the months in the 1990s. However, this could be a result of different researchers completing the two surveys.

Economic Conditions and General Fund Revenue

- ▶ The national Index peaked in January 2004 and the Iowa value peaked in April 2004. The Iowa index has declined considerably but at 60.2 for November 2004, it still indicates an expanding manufacturing economy.

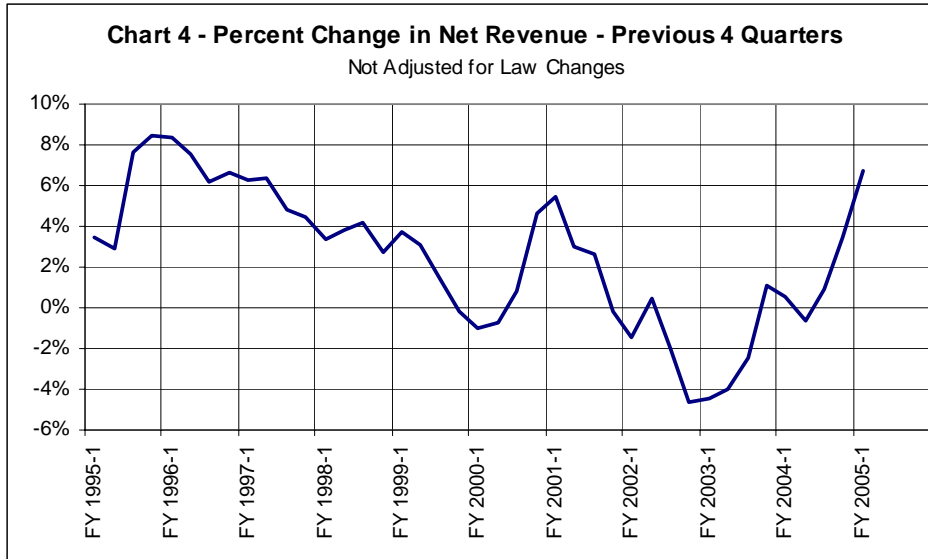


Iowa General Fund Revenues

Iowa's income, sales, use, and corporate taxes raise approximately 84.7% of the revenue deposited to the State General Fund each year (FY 2004 data – net fiscal year basis, excluding transfers). The amount of revenue generated by each of these funding sources depends on the level of economic activity in the State during a fiscal year (employment, consumer expenditures, business and government expenditures, etc.). Assuming other tax factors are equal (tax base and tax rates), a growing economy will produce more tax revenues than a stagnant one. The previous paragraphs on the recent condition of the national and Iowa economy show the economy slowed in the fall of 2000, with an official U.S. recession starting in March 2001 and ending in November of the same year. **Chart 4** shows annual Iowa General Fund net revenue growth calculated on a moving four-quarter basis. The numbers do not include transfers, but are net of tax refunds. Most evident in the graph is the abrupt downturn starting with the second quarter of FY 2001, when receipt growth fell from a positive value of 5.5% in the first quarter of FY 2001 to a value of negative 4.7% by the end of the fourth quarter of FY 2002. The growth rate has generally accelerated since that time, with the four – quarter average reaching 6.7% at the end of the first quarter of FY 2005. Second quarter 2005 receipts indicate this trend is continuing.

While economic factors have contributed to the recent reduction in the revenue growth rate, tax reductions and revenue adjustments enacted by the General Assembly have played a significant role in reducing the rate of General Fund net revenue growth over the past five years. While the 26 quarters prior to the FY 2001 peak averaged 4.2%

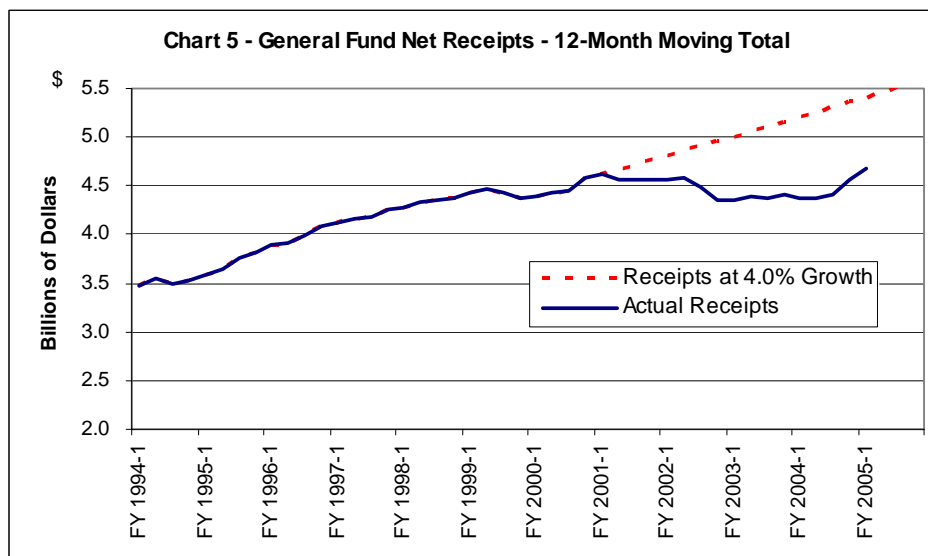
growth, the next 12 quarters averaged negative 1.0%. Had receipt growth averaged 4.0% since the end of FY 2000, net revenues for FY 2005 would total \$5.577 billion, \$878.0 million more the current REC estimate (see Chart 5).



In December 2004, the Revenue Estimating Conference (REC) established an FY 2005 net General Fund revenue growth rate (excluding transfers) of 0.5% (after transfers estimated growth is 1.3%). Legislation reducing FY 2005 revenue contributes significantly to the low FY 2005 percentage growth estimate.

For FY 2006, the REC estimates growth will be positive 4.0% (3.3% after transfer adjustment).

Both estimates are below the historic trends of the second half of the 1990s but above the average negative growth shown in recent years.



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SALARIES AND COLLECTIVE BARGAINING

The State is currently in the process of negotiations with unions representing State employees for salaries and benefits for FY 2006 and FY 2007. Chapter 20, Code of Iowa, establishes the framework and timeline for the bargaining process. The basic deadlines are:



- August through September – Unions request bargaining.
- November through December – Unions and the State present initial proposals.
- January through March – Negotiation sessions occur, which may include the appointment of a mediator, fact finding, and binding arbitration.
- March 15 – Deadline for impasse procedure and filing of neutrals award if required.

The following is a summary of the opening offers and the State's response. The table contains only a summary of the major points. Copies of the opening offers and the State's response are available from the Fiscal Services Division of the Legislative Services Agency (LSA) upon request. The General Assembly will be updated when the agreements become final. The Board of Regents has not provided the LSA with information concerning collective bargaining with the United Faculty of Iowa (UFI), Committee to Organize Graduate Students (COGS) – University of Iowa, and the Service Employees International Union (SEIU) – University of Iowa. Since collective bargaining agreements cover two years, there will be no collective bargaining negotiations during the 2006 Legislative Session.

FY 2006 AND FY 2007 COLLECTIVE BARGAINING UNIT AGREEMENTS

➤ State Police Officers Council (SPOC)

✦ FY 2006 Proposals

- Combine all job classifications into one pay plan and increase the maximum of the pay plan by 2.0%.
- An employee's pay will not be reduced when bumping to a lower pay grade.
- Eliminate the requirement that the employee and employer share equally in health insurance premium increases.
- Increase Public Safety employees' per diem from \$7.50 to \$9.00.
- Increase clothing maintenance allowance from \$145 to \$200 semi-annually for Public Safety employees and from \$350 to \$500 for Natural Resources employees.

- Increase the number of hours of compensatory time that can be banked.
- Employer matches 50.0% of employee contribution to Deferred Compensation Program up to a State share of \$75 per month (additional \$300 per year) effective July 1, 2005.

◆ FY 2006 State's Response

- 0.0% average pay increase effective July 1, 2005.
- Contribute \$324 per employee to be applied to the cost of a single health plan with Alliance Select, instead of the current 100.0% for single or double spouse coverage, or \$678 toward the total cost of a family plan instead of the current 85.0% of the cost of an Alliance Select family plan.
- Make changes to prescription co-payments and out-of pocket maximums.
- Make changes to health insurance co-payments and out-of pocket maximums.
- Change the conversion of sick leave to vacation leave from 12 hours of sick leave for 4 hours of vacation leave to 8 hours of sick leave for 4 hours of vacation leave.

◆ FY 2007 Proposals – Steps for eligible employees beginning July 1, 2006.

◆ FY 2007 State's Response – 0.0% average pay increase effective July 1, 2006.

▶ **Iowa United Professionals (IUP) and United Electrical Workers (UE)**

◆ FY 2006 Proposals

- 4.0% across-the-board increase effective July 1, 2005.
 - 6.0% added to the top of each pay grade for the Social Services Unit effective July 1, 2005.
 - 4.0% added to the top of each pay grade for the Science Unit effective July 1, 2005.
 - Steps for eligible employees.
 - Increase sick leave retirement payout to a maximum of \$5,000 from the current \$2,000, with an option to convert unused sick leave to a bank that can be used to pay the current employer's share of health insurance premiums.
-

Salaries and Collective Bargaining

- Eliminate the \$25 per month cap on the State's match for Deferred Compensation Program contributions and require a dollar-for-dollar employer match on employee contributions.

✦ FY 2006 State's Response

- 0.0% across-the-board increase effective July 1, 2005.
- 4.5% steps for eligible employees.
- State will contribute \$470 for a single health plan instead of 100.0% of the premium, or \$792 for a family health plan instead of 72.0% of the cost of a Deductible 3 Plus family plan.
- Make changes to health insurance co-payments and out-of-pocket maximums, along with other cost containment changes.
- Include domestic partners in health and dental insurance.

✦ FY 2007 Proposals

- 4.0% across-the-board increase effective September 1, 2006.
- Employer pays 85.0% of family health insurance premium for Deductible 3 Plus towards the family plan of the employee's choice, up from current 72.0%, effective January 1, 2006. The estimated State share increase is \$143 per month per employee.
- Include domestic partners in health and dental insurance.

✦ FY 2007 State's Response

- 0.0% across-the-board increase effective July 1, 2006.
- 4.5% steps for eligible employees.
- State will contribute \$470 for a single health plan instead of 100.0% of the premium, or \$792 for a family health plan instead of 72.0% of the cost of a Plan 3 Plus family plan.
- Make changes to health insurance co-payments and out-of-pocket maximums, along with other cost containment changes.
- Include domestic partners in health and dental insurance.

▶ Judicial AFSCME

- ✦ Proposal due December 23, 2004.
-

✦ Response due January 6, 2005.

➤ American Federation of State, County, and Municipal Employees (AFSCME) – General Government and Community Based Corrections (CBC)

✦ FY 2006 Proposals

- 5.0% across-the-board increase effective July 1, 2005.
- 4.5% steps for eligible employees.
- Increase the shift differential by \$0.10 effective July 1, 2005.
- Employer matches 50.0% of employee contribution to Deferred Compensation Program up to a State share of \$50 per month (additional \$300 per year) effective July 1, 2005.
- Adds mail order prescription benefit effective January 1, 2006.
- Make changes to an employee's rights if the employer implements layoffs, transfers or reorganization.
- Make changes to overtime rules.
- Employer pays 90.0% of family premium for Iowa Select towards the family plan of the employee's choice, up from current 85.0%, effective January 1, 2006.
- Eliminate co-payments effective January 1, 2006.
- Employer pays 60.0% towards a family dental plan, including domestic partners, up from the current 50.0%, effective January 1, 2006.
- Add optical benefits coverage.
- Increase life insurance and accidental death and dismemberment coverage.
- Remove the maximum \$2,000 per month disability payment restriction.
- Increase Family Medical leave to 80 hours per year from the current 40 hours and permits a maximum of 40 hours to be carried over to the next year.
- Require the payment of unused sick leave upon a bona fide retirement or for the establishment of a bank to pay the current employer's share of health insurance premiums.

Salaries and Collective Bargaining

- Change the conversion of sick leave to vacation leave from 12 hours of sick leave for 4 hours of vacation leave to 12 hours of sick leave for 6 hours of vacation leave.
- Require the employer to hire another person when an organizational unit reaches 2,080 overtime hours.

✦ FY 2006 State's Response

- 0.0% across-the-board increase effective July 1, 2005.
- 4.5% steps for eligible employees.
- State will contribute \$472 for a single health plan instead of 100.0% of the premium, or \$881 for a family health plan instead of 85.0% of the cost of an Iowa Select family plan.
- Make changes to co-payments and out-of-pocket maximums and implement a \$2.0 million lifetime maximum.
- Employer matches 50.0% of employee contribution to Deferred Compensation Program up to a State share of \$50 per month (additional \$300 per year) effective July 1, 2005.

✦ FY 2007 Proposals

- 5.0% across-the-board increase effective July 1, 2005.
- 4.5% steps for eligible employees.
- Increase the shift differential by \$0.10 effective July 1, 2006.
- Employer matches 50.0% of employee contribution to Deferred Compensation Program up to a State share of \$100 per month (additional \$600 per year) effective January 1, 2006.
- Employer pays 95.0% of family premium for Iowa Select towards the family plan of the employee's choice, up from current 85.0%, effective January 1, 2007.
- Employer pays 70.0% towards a family dental plan, including domestic partners, up from the current 50.0%, effective January 1, 2007.

✦ FY 2007 State's Response

- 0.0% across-the-board increase effective July 1, 2005.
- 4.5% steps for eligible employees.

► Judicial Public Professional and Maintenance Employees (PPME)

◆ FY 2006 Proposals

- 6.5% across-the-board increase effective July 1, 2005.
- Steps for eligible employees.
- Prohibit the use of furloughs without the consent of the union.
- Employees shall be given the right to transfer or be recalled before anyone else is hired for a vacancy.
- Employer matches 50.0% of employee contribution to Deferred Compensation Program up to a State share of \$75 per month (additional \$600 per year) effective January 1, 2006.
- Permit employees to convert unused sick leave vacation and compensatory time into a bank for the payment of the employer's share of health insurance upon bona fide retirement.
- Permit employees to use 80 hours of sick leave for family illness instead of the current 40 hours.

◆ FY 2006 State's Response

- 0.0% across-the-board increase effective July 1, 2005. No step increases in FY 2006.
- An employee who exercises bumping rights will not be entitled to more than the maximum of their new pay grade.
- Contribute \$400 per employee to be applied to the cost of a single health plan, instead of the current 100.0% for single (estimated current State cost of \$443) or double spouse (estimated current State cost of \$1,037) coverage, or \$775 toward the total cost of a family plan instead of the current 85.0% of the cost of an Iowa Select family plan (estimated current State cost of \$881).
- Make changes to prescription co-payments and out-of-pocket maximums.

◆ FY 2007 Proposals

- 6.5% across-the-board increase effective January 1, 2005.
- Steps for eligible employees.
- Employer pays 90.0% of family premium for Iowa Select towards the family plan of the employee's choice, up from current 85.0%, effective January 1, 2006.

Salaries and Collective Bargaining

✦ FY 2007 State's Response

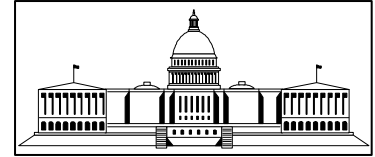
- 0.0% across-the-board increase effective July 1, 2006. No step increases in FY 2007.

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TAX AND REVENUE ISSUES

Federal Legislation

The U.S. Congress enacted tax law changes as economic stimulus packages in 2001, 2002, and 2003 that provided immediate income tax refunds, reduced income tax rates, and phased-out federal taxation of estates. Due to Iowa's deduction allowance of federal taxes paid, federal tax law changes that generally lower federal personal and business taxes have the additional impact of raising Iowa taxes owed.



Federal tax law changes can also have the opposite impact on Iowa revenues if Iowa "couples" with federal definitions of taxable income, deductions, and credits. Recent federal legislation increased the front-loaded nature of depreciation schedules for business investment. Those changes are commonly referred to as bonus depreciation and Section 179 expensing. The 2004 Special Session coupled Iowa tax law with the federal change. This action will reduce Iowa tax revenue in FY 2005 and FY 2006.

A significant provision of recent federal legislation phased in a repeal of the federal tax on estates. Under federal estate tax law, taxpayers receive a dollar-for-dollar credit against their federal estate tax liability for state estate and inheritance tax payments up to a specified amount. The maximum credit varies by the size of the estate. This credit is commonly called a "pick up tax." Prior to the phase-out, Iowa collected approximately \$105.0 million in inheritance tax each year. Of this amount, \$30.0 to \$35.0 million is the result of Iowa's pick up tax. As the federal estate tax is eliminated, Iowa's collections from the pick up tax will also be eliminated. The Department of Revenue and Finance estimates the phased-in repeal of the estate tax will reduce Iowa tax revenues by a total of \$358.9 million over 10 years.

Streamlined Sales Tax Project

Representatives of government and industry are examining ways to simplify sales and use tax administration. Iowa, along with 38 other states, is an implementing member of the Streamlined Sales Tax Project (SSTP). The goal of the Project is to develop measures to design, test, and implement a sales and use tax system that radically simplifies sales and use taxes.

The Project released a final Streamlined Sales and Use Tax Agreement on November 12, 2002. The document is available at the organization's web site at www.streamlinedsalestax.org.

The model legislation is designed to simplify and modernize sales and use tax administration in member states in order to substantially reduce the burden of tax compliance. Participation by states is voluntary, but participating States must comply with the Agreement. As of July 2004, Iowa and 18 other states have adopted the model

Tax and Revenue Issues

legislation in some form. Iowa's legislation became effective July 1, 2004. The Project participants now estimate the Project will be implemented October 1, 2005. Any significant revenue associated with Iowa's participation in the Project will not be realized until after that date.

Phase-out of State Sales Tax on Residential Home Energy

House File 1, enacted by the 2001 General Assembly, created a five-year phase-out of the Iowa sales tax on residential household gas and electricity usage. The phase-out reduced Iowa's 5.0% sales tax to 4.0% on January 1, 2002, with additional 1.0% reductions each January 1st until the tax is eliminated on January 1, 2006. The phase-out was projected to reduce sales tax revenues by:

- ▶ FY 2002 – \$ 8.8 million (Jan. 1, 2002, tax reduced to 4.0%)
- ▶ FY 2003 – \$26.5 million (Jan. 1, 2003, tax reduced to 3.0%)
- ▶ FY 2004 – \$44.2 million (Jan. 1, 2004, tax reduced to 2.0%)
- ▶ FY 2005 – \$61.9 million (Jan. 1, 2005, tax reduced to 1.0%)
- ▶ FY 2006 – \$79.6 million (January 1, 2006, tax reduced to 0.0%)
- ▶ FY 2007 – \$88.5 million (tax rate equals 0.0% for entire fiscal year)

Previously Enacted Tax and Revenue Adjustments

The Iowa General Assembly and federal Congress have enacted tax and revenue measures in recent Sessions with phased-in or future impact dates, including the utility sales tax legislation and federal changes discussed above. The following table provides a summary of the projected revenue impacts associated with recent legislation. Many small revenue impacts are not included.

Significant Tax and Revenue Changes with Future Impacts

Changes from FY 2004 Base

Dollars in Millions

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Utility Phase-out	\$-18.7	\$-37.4	\$-46.8	\$-46.8
Insurance Premium Tax	-11.0	-28.0	-43.0	-48.0
Depreciation Changes	-55.9	-29.8	2.0	2.0
Seed Capital Credits	-3.0	-4.0	0.0	0.0
Venture Capital Tax Credit	-0.5	-2.3	-2.3	-2.3
Federal Tax Reductions	-5.3	-20.4	-27.0	-26.0
Withholding Table Changes	-18.0	0.0	18.0	0.0
Streamlined Sales Tax	0.0	15.0	70.0	70.0
Ethanol Tax Credit	-1.7	-2.8	-3.7	-4.6
Electronic Commerce	-3.1	-4.0	-4.8	-5.6
Federal Inheritance Tax Changes	-12.0	-18.0	-20.0	-21.0
	<u>\$-129.2</u>	<u>\$-131.7</u>	<u>\$-57.6</u>	<u>\$-82.3</u>
Potential:				
Venture Capital Fund of Funds				
Contingent Credits	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$-20.0</u>	<u>\$-20.0</u>

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PROPERTY TAX ISSUES

Property Taxes – Recent Legislation

During the June 2003 Extraordinary Session, HF 692 (Taxation Changes, Grow Iowa Values, and Regulatory Reform Act) was approved by the General Assembly. The Act, among other changes, set in motion a process to transform property assessment and taxation in Iowa. The Act established parameters for changing Iowa's property tax system and created a Property Tax Implementation Committee to refine the system and make recommendations to the General Assembly for implementation of the new property tax system.



Senate File 2298 (FY 2005 Omnibus Appropriations Act), which was approved during the 2004 Legislative Session, repealed the Property Tax Implementation Committee and established a State Tax Implementation Committee for a comprehensive review of property taxes, revenue sources for local and State governments, and alternatives. The Governor vetoed the sections dealing with the new committee but retained the repeal of the original committee.

The Legislative Council established a Property Taxation Review Committee for the 2004 interim and authorized four meetings. The Committee is made up of three Senators, three Representatives, and 12 public members. The issues to be reviewed and analyzed by the Property Taxation Review Committee are:

- Revenue sources available to local governments, including taxes, payments in lieu of property taxes, fees, state appropriations, and federal moneys.
- The portion of state revenues annually appropriated, or otherwise disbursed, to local governments.
- Exemptions, credits, deductions, exclusions, and other reductions in local taxes, authorized by state statute or local ordinance, to local taxpayers and state reimbursement of any property tax credits and exemptions.
- Services provided by local governments, including those provided at the discretion of a local government and those mandated by federal or state statutes and regulations.
- The role of property taxes in funding local government services and the types of services currently funded by property taxes.
- Alternative systems of property taxation, alternative procedures for protesting property assessments, and various methods of controlling property tax revenues and expenditures.



The Committee is to conduct its review of local taxes from the standpoint of neutrality, competitiveness, simplicity, stability, and maintenance of equity among classes of taxpayers and among taxpayers within the same class. Its report to the General Assembly is due on January 7, 2005.

Current Property Tax System

The existing property tax system will continue to operate while property tax issues are being reviewed. Following are some significant issues for the current tax system.

Property Tax Relief

Major property tax relief programs have been created since FY 1996. **Figure 1** summarizes the major property tax relief expenditures and projects the cost of each program through FY 2006.

Figure 1

Projected State Funded Property Tax Relief										
(Dollars in Millions)										
	<u>Actual FY 1997</u>	<u>Actual FY 1998</u>	<u>Actual FY 1999</u>	<u>Actual FY 2000</u>	<u>Actual FY 2001</u>	<u>Actual FY 2002</u>	<u>Actual FY 2003</u>	<u>Actual FY 2004</u>	<u>Est. FY 2005</u>	<u>Current Law - Est. FY 2006</u>
Mach. & Equip.	\$ 6.9	\$ 11.3	\$ 17.1	\$ 23.7	\$ 41.6	\$ 15.1	\$ 35.0	\$ 11.0	\$ 0.0	\$ 0.0
Mental Health	78.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0
School Foundation	84.8	88.0	91.9	111.6	123.1	126.5	132.2	127.2	132.6	139.2
Total	<u>\$ 169.7</u>	<u>\$ 194.3</u>	<u>\$ 204.0</u>	<u>\$ 230.3</u>	<u>\$ 259.7</u>	<u>\$ 236.6</u>	<u>\$ 262.2</u>	<u>\$ 233.2</u>	<u>\$ 227.6</u>	<u>\$ 234.2</u>

Note: The FY 2004 M & E and School Foundation credits have been reduced by the 2.25% across-the-board reduction. The School Foundation includes property tax relief from changes to the Foundation Level.

Below is a description of each program, followed by a discussion of tax credits and valuation issues.

Machinery and Equipment (M&E)

- The property tax on new M&E was repealed during the 1995 Legislative Session (SF 69, Property and Income Tax Reduction Act), retroactive to all M&E purchases made since January 1, 1994. The intent of the original legislation was to eliminate the tax on M&E and spur additional commercial and industrial growth that would eventually offset the revenue loss to local governments from the M&E exemption.
- The taxable value of M&E purchased prior to January 1, 1994, has been phased out over a four-year period that began in FY 2001, such that the taxable value on all M&E reached zero in FY 2004.

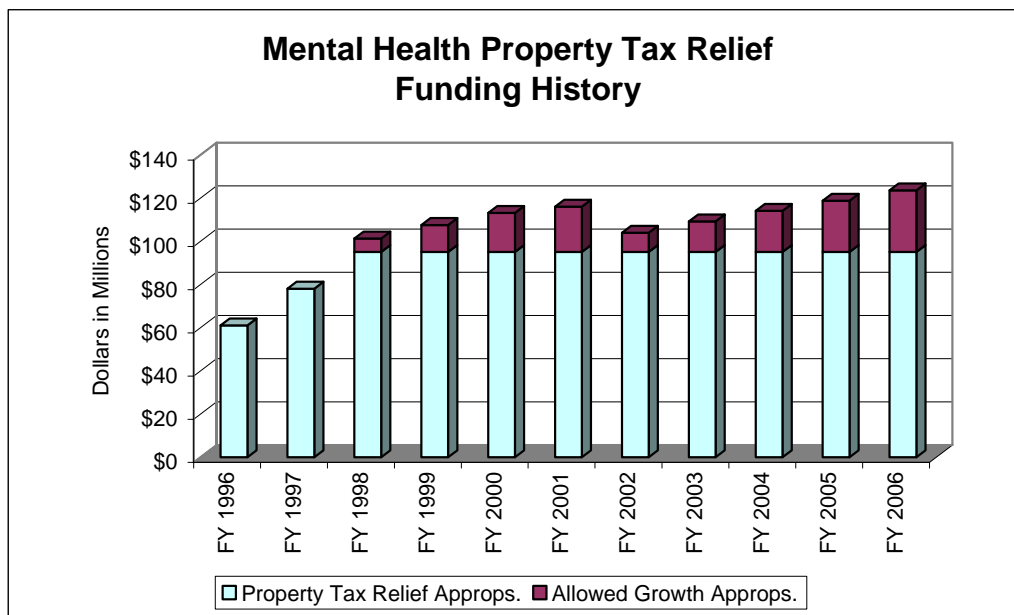
Property Tax Issues

- ▶ Local governments received 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 reduced the reimbursement to the extent that commercial and industrial valuations had grown since FY 1996. The State reimbursement was scheduled to terminate in FY 2007. Senate File 453 (Reinvention of Government Act) accelerated the termination of the standing unlimited appropriation for M&E Property Tax Replacement to June 30, 2004. During the 2003 Legislative Session, SF 453 reduced the standing appropriation by \$10.9 million, but SF 458 (Standing Appropriations, Salary Revisions, and Statutory Changes Act) increased the appropriation by \$1.2 million, bringing the final FY 2004 appropriation to \$11.3 million. Actual expenditures during FY 2004 were \$11.0 million.
- ▶ There is no M&E Property Tax Replacement after FY 2004.

Mental Health Property Tax Relief

- ▶ The Mental Health 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 and phased in over a three-year period to complete the State share. **Figure 2** details annual appropriations from FY 1995 through FY 2006. The State share includes \$6.6 million that is transferred annually from the Property Tax Relief Fund to the Department of Human Services for services for mentally retarded children.

Figure 2



Note: The FY 2005 appropriations for property tax relief and the county expenditure base are assumed at the FY 1998 rate. Senate File 2298 (FY 2005 Omnibus Appropriations Act) appropriated \$28.5 million for FY 2006 growth, which is a rate of 2.0%. The growth rate for FY 2007 is scheduled to be appropriated during the 2005 Legislative Session.

- Mental health funding in each county is triggered by a base year amount. The annual appropriation of \$95.0 million was originally set at 50.0% of the FY 1996 county base expenditures of \$189.9 million. Over time, expenditure bases have been adjusted for a total adjusted county base of \$214.4 million.
- The first \$6.6 million of property tax relief for mental health is transferred annually to the Department of Human Services for Intermediate Care Facilities for the Mentally Retarded (ICF/MR) costs for children. An additional \$6.7 million was appropriated to the Department of Human Services for these same costs in FY 2004.
- The General Assembly has modified the mental health funds distribution method to counties. For FY 2005, the distribution is as follows:

Figure 3

FY 2005 Mental Health Property Tax Relief Distribution Formula

- One-third based on the county's share of State population.
- One-third based on the county's share of all counties' base year expenditures.
- One-third based on the county's share of State's total taxable property valuation assessed for taxes payable.

Figure 4

FY 2005 Mental Health Allowed Growth Distribution Formula

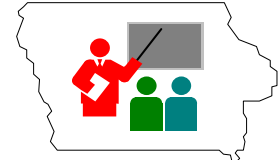
- \$12.0 million based on county population.
- \$19.2 million as required by statute as follows:
 - ◆ The maximum county levy.
 - ◆ The county per capita expenditure to be equal to or greater than the Statewide per capita expenditure.
 - ◆ The FY 2004 County Services Fund year-end balance to be no more than 25.0% of the FY 2004 county mental health gross expenditures.
- A reduction of \$9.4 million based on FY 2004 county fund balances.

Property Tax Issues

- ▶ The reduction of \$9.4 million within the distribution formula has occurred since FY 2002 to provide more uniform county fund balances. The ending balance percentage, comparing balances to mental health expenditures for each county, determines the amount each county receives from the mental health allowed growth appropriation. The counties are required to submit the FY 2004 ending balances by December 1, 2004. The withholding factor for a county is based upon the following:
 - ✦ For an ending balance percentage of less than 10.0%, there is no withholding factor. In addition, a county within this category is to receive an inflation adjustment equal to 2.6% of the gross expenditures reported for the county's Services Fund for FY 2004.
 - ✦ For an ending balance percentage of 10.0% through 24.0%, the withholding factor is 25.0% less the amount exceeding 10.0%.
 - ✦ For an ending balance percentage of 25.0% or more, the withholding factor is 100.0%.
- ▶ In addition, counties were required to levy at least 70.0% of the maximum allowed for the Services Fund under Section 331.424A, Code of Iowa, to be eligible for the allowed growth funding for FY 2005.
- ▶ Ending balances in excess of 10.0% of the expenditures by a county for mental health services will result in a decreased share of the allowable growth appropriation for FY 2005, with the possibility that a county may not receive any of the allowable growth appropriation.
- ▶ The General Assembly may wish to consider the following during the 2005 Legislative Session:
 - ✦ Review county expenditures since the beginning of property tax relief funding, individual county levies for mental health services, and balances of the County Services Funds. Changes to the State Plan relating to Medical Assistance (Medicaid) have permitted county expenditures to be matched with federal Medicaid funds, decreasing the amount of county expenditures. This results in either decreased expenditures or increases in services or the number of people served, based upon an individual county decision.
 - ✦ Review proposals for the FY 2007 allowable growth appropriation and other proposed State funding changes.
 - ✦ Review the impact of the distribution of the FY 2005 allowable growth appropriation and the enacted distribution of the FY 2006 allowable growth appropriation.

School Foundation Level

- In the 1996 Legislative Session, the regular program foundation level was raised from 83.0% to 87.5%. Raising the foundation level increases State aid and reduces property taxes for local school districts. In general, school districts with the lowest taxable valuation received the biggest tax rate decrease.
- Additional property tax relief was provided by the 1999 General Assembly by raising the foundation level for the special education portion of regular program costs from 79.0% to 87.5%.
- In FY 2000, funding for the Talented and Gifted Program was shifted from 100.0% property taxes to the foundation formula. This has resulted in the Talented and Gifted Program being funded by a combination of property taxes and State aid. In FY 2000, the State assumed \$16.7 million of the Program costs, and the remaining \$2.4 million continued to be funded by property taxes. The amount of property tax offset changes annually with increases or decreases in allowable growth rates, enrollments, and supplemental weightings.
- Raising the foundation level can provide future property tax decreases. In FY 2006, increasing the regular program foundation level by 1.0% would increase State aid and reduce property taxes by \$24.1 million. Increasing the special education foundation level by 1.0% would increase State aid and reduce property taxes by \$3.5 million, and increasing the Area Education Agency foundation level by 1.0% would have a \$1.1 million impact.



Property Tax Credits

The major property tax credits include the homestead tax credit, agricultural land tax credit, family farm tax credit, military service tax exemption, and various low-income elderly credits. **Figure 5** shows the amounts claimed by taxpayers and the amounts paid by the State in FY 2004. For the 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.

Figure 5

Local Government Property Tax Claims and Payments			
(Dollars in Millions)			
FY 2004	FY04 Amount Claimed	FY04 Amount Paid by State	Additional Cost of Full State Funding
Homestead Credits	122.9	\$ 101.8	\$ 21.1
Agriculture Land Credits	124.3	25.3	99.0
Family Farm Credits	58.4	9.4	49.1
Military Service Tax Exemption	2.6	2.5	0.1
Elderly Credits			
Rent Reimbursement	13.1	12.7	0.4
Property tax	6.1	2.3	3.8
Mobile homes	0.1	0.0	0.1
Special Assessments	0.0	0.0	0.0
Elderly Credit Total	19.3	15.1	4.3
Total	<u>\$ 327.6</u>	<u>\$ 154.1</u>	<u>\$ 173.4</u>

For FY 2005, SF 2298 (FY 2005 Omnibus Appropriations Act) appropriated funds for tax credits from the Cash Reserve Fund. These tax credits are normally paid from the General Fund. The amounts are:

- \$102.9 million for the Homestead Property Tax Credit.
- \$34.6 million for the Agricultural Land and Family Farm Tax Credit.
- \$2.6 million for the Military Service Property Tax Credit.
- \$19.5 million for the Elderly and Disabled Property Tax Credit.

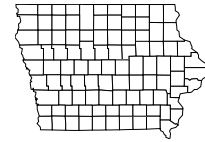
In FY 2006, without changes to current legislation, these standing appropriations will be funded from the General Fund.

Homestead, Elderly, and Military Service Property Tax Credits

During the 1997 Session, the General Assembly passed HF 726 (Tax Credits and Exemptions – Local Budget Practices – Property Tax Statements Act) that required new property tax credits or exemptions to be fully funded by the State. If the new credit or exemption is not fully funded by the State, the credit or exemptions will be prorated to the taxpayer. These requirements also apply to the homestead, elderly and disabled, and military service property tax credits. The Act also removed the appropriation freeze

on the homestead, elderly and disabled, and military service property tax credits. Removing the appropriation freeze reinstated the standing unlimited appropriations for these credits.

Property Tax Equalization



Equalization is a process required by statute to be used to maintain equity for property assessments between counties. The Department of Revenue (DR) makes a determination for equalization of specific classes of property in each county. The Department determines, by county, if residential and commercial property is generally assessed too high, too low, or within an appropriate range based on county sales data.

Equalization of commercial and residential classes of property is performed every two years (odd-numbered years). Equalization is also performed for agricultural property. However, agricultural property is assessed on a productivity basis, rather than market value.

Equalization orders are given to county assessors. Although the assessors have some discretion in allocating increases and decreases within classifications of property, in most cases, assessors apply the percentage change across the board.

Figure 6 displays the Statewide changes to property tax valuations due to assessor revaluation, equalization order, and the net impact on valuations by class of property. The January 1, 2002, valuations are used to generate property tax revenues in FY 2004. Residential property includes urban and rural residential and agricultural dwellings. The last equalization cycle began with valuations effective January 1, 2003, and concluded with the DRF equalization order in the fall of 2003. The next cycle begins in January 2005.

Figure 6

2003 Assessor Revaluation Actions and Equalization Orders			
	<u>2003 Assessor Revaluation</u>	<u>2003 Equalization</u>	<u>Total Impact</u>
Agricultural	-9.4%	-10.0%	-19.4%
Residential*	4.2%	1.7%	5.9%
Commercial	2.1%	2.9%	5.0%

* Includes urban and rural residential and agricultural dwellings.

Property Tax Issues

Assessed Valuation Limitation (Rollback)

Assessment limitations provide for the reduction of property tax valuations to cushion the impact of inflation. The assessment limitations are applied to classes of property as follows:

- For agricultural, residential, commercial, and industrial classes of real estate, the taxable valuation for each class is limited to 4.0% annual Statewide growth from revaluation. In addition, the percent of growth from revaluation is to be the same for agricultural and residential property.
- For utility property, the taxable valuation is limited to 8.0% annual Statewide growth from revaluation.
- For railroad property, the assessed valuation is adjusted by the lowest of the assessment limitation percentages for commercial, industrial, and utility property to determine the taxable valuation.

An assessment limitation percentage is applied uniformly to each assessed value in the State for a class of property. Even though the State's total taxable value will increase by only the allowed percent of growth, the taxable values for individual properties will change by different percentages. **Figure 7** shows historical rollback adjustments due to the assessment limitation.

Figure 7

Percent of Property Valuation Taxed after Rollback Adjustment

Assessment Year	Agricultural	Residential	Commercial	Industrial	Utilities	Railroads *
1978	96.2480%	78.2516%	-----	-----	-----	-----
1979	94.6706%	64.3801%	88.9872%	100.0000%	100.0000%	88.9872%
1980	99.0951%	66.7355%	93.1854%	100.0000%	100.0000%	93.1854%
1981	95.7039%	64.7793%	87.8423%	96.9619%	100.0000%	87.8423%
1982	99.5711%	67.2223%	91.6331%	100.0000%	100.0000%	91.6331%
1983	86.5024%	69.8754%	91.7230%	97.4567%	98.3345%	91.7230%
1984	90.0058%	72.4832%	95.4242%	100.0000%	97.8637%	95.4242%
1985	93.5922%	75.6481%	98.7948%	100.0000%	100.0000%	98.7948%
1986	100.0000%	77.3604%	100.0000%	100.0000%	100.0000%	100.0000%
1987	100.0000%	80.5966%	100.0000%	100.0000%	100.0000%	100.0000%
1988	100.0000%	80.6384%	100.0000%	100.0000%	100.0000%	100.0000%
1989	100.0000%	79.8471%	100.0000%	100.0000%	100.0000%	100.0000%
1990	100.0000%	79.4636%	100.0000%	100.0000%	100.0000%	100.0000%
1991	100.0000%	73.0608%	100.0000%	100.0000%	100.0000%	100.0000%
1992	100.0000%	72.6985%	100.0000%	100.0000%	100.0000%	100.0000%
1993	100.0000%	68.0404%	100.0000%	100.0000%	100.0000%	100.0000%
1994	100.0000%	67.5074%	100.0000%	100.0000%	97.2090%	97.2090%
1995	100.0000%	59.3180%	97.2824%	100.0000%	100.0000%	97.2824%
1996	100.0000%	58.8284%	100.0000%	100.0000%	100.0000%	100.0000%
1997	96.4206%	54.9090%	97.3606%	100.0000%	100.0000%	97.3606%
1998	100.0000%	56.4789%	100.0000%	100.0000%	100.0000%	0.0000%
1999	96.3381%	54.8525%	98.7732%	100.0000%	100.0000%	98.7732%
2000	100.0000%	56.2651%	100.0000%	100.0000%	100.0000%	100.0000%
2001	100.0000%	51.6676%	97.7701%	100.0000%	100.0000%	97.7701%
2002	100.0000%	51.3874%	100.0000%	100.0000%	100.0000%	100.0000%
2003	100.0000%	48.4558%	99.2570%	100.0000%	100.0000%	99.2570%
2004	100.0000%	47.9642%	100.0000%	100.0000%	100.0000%	100.0000%

Tax Increment Financing (TIF)

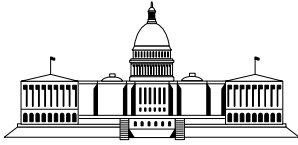
A Tax Increment Finance (TIF) area is established when a city or county adopts a resolution establishing an urban renewal project or a community college creates a job training project. The taxable value of the TIF area in the year prior to the establishment of the TIF becomes the base value. The property tax revenue from the base value is distributed to all taxing entities. Any growth above the base is called the incremental value. The property tax revenue from the incremental value goes to the TIF project. Due to the action of property tax rollbacks, the value of the base can erode to a level below the original base, and the taxable value or the base is reduced to zero in some instances.

Iowa’s tax increment reporting law was amended by SF 453 (Reinvention of Government Act) to require odd-numbered year reporting by local governments of outstanding TIF debt. Annual reporting requirements detailing each TIF project were eliminated.

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FEDERAL FUNDING ISSUES

For the past two years, Congress has been faced with budget deficits. Despite the surplus of \$127.3 billion for FFY 2001, the federal Treasury reported a deficit of \$158.5 billion for FFY 2002, \$374.2 billion for FFY 2003, and \$412.0 billion for FFY 2004.



Congress completed work on the FFY 2005 budget and sent H.R. 4818 (FFY 2005 Omnibus Appropriations Act) to the President for his signature on December 6. When the 109th Congress convenes in January, it will be faced with decisions on holding down spending for some domestic programs in order to provide the resources needed to fund the military effort against terrorism. This may result in decreases to some programs that provide Iowa with federal funding.

Current estimates are that in State FY 2005 Iowa will receive approximately \$4.024 billion in federal funds. This is a decrease of \$120.7 million (2.9%) compared to actual State FY 2004 receipts. More than \$1.990 billion (49.5%) of this amount will be received by the Department of Human Services (DHS), primarily for the Medical Assistance (Medicaid), Food Assistance, Children's Health Insurance, and Family Investment Programs. Other departments that will receive significant federal funds include:

- \$408.1 million for the Department of Education.
- \$374.3 million for the Board of Regents Institutions.
- \$275.7 million for the Department of Transportation.
- \$473.4 million for the Department of Workforce Development.

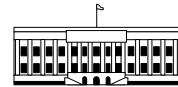
For State FY 2006, it is anticipated that Iowa will receive \$3.974 billion in federal funds, a decrease of \$49.6 million (1.2%) compared to estimated State FY 2005 receipts. More than \$1.925 billion (48.4%) of this amount will be received by the DHS. Other departments that will receive significant federal funds include:

- \$413.6 million for the Department of Education.
- \$382.0 million for the Board of Regents Institutions.
- \$275.7 million for the Department of Transportation.
- \$450.6 million for the Department of Workforce Development.

The estimated State FY 2005 and FY 2006 figures for federal funds are likely to be revised for a number of reasons, including:

- ▶ Prior to adjournment, the 108th Congress passed a continuing resolution and is currently funding some federal agencies at the level of the previous year. When the 108th Congress completes budget work for FFY 2005, it is likely that various federal programs will receive changes in allocations that will result in changes to estimated receipts for states.
- ▶ Some departments take a conservative approach and historically underestimate the amount of federal funds that are likely to be received when planning expenditures.
- ▶ A number of adjustments are made each time the books are closed on a federal fiscal year. This could result in reversion of unexpended federal funds and, where federal law allows, the carry-forward of federal funds into the next fiscal year.
- ▶ Rule changes in many federal programs take time to be finalized and published, and these changes could impact the amount of funds states will receive and the distribution of available funds.

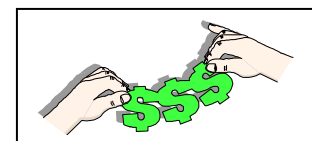
According to the National Conference of State Legislatures (NCSL), due to the aftermath of September 11, 2001, and the ongoing war against terrorism and in Iraq, the 109th Congress and the President will have to continue to confront certain major issues that will impact Iowa, including:



- ▶ Homeland Security.
- ▶ The continued war against terrorism.
- ▶ The potential threat of bioterrorism.
- ▶ A sluggish economy.

The General Assembly may wish to review the following issues:

- ▶ Children's Health Insurance Program (CHIP) – The DHS estimates that expenditures in the Program will exceed the federal allotment in FY 2006. In previous years, unspent funds reverted from other states have been redistributed to states with exhausted allotments. Congress has not yet acted on the redistribution that would affect the State FY 2006 budget. For more information on this issue, contact Jennifer Vermeer (281-4611).
- ▶ Temporary Assistance for Needy Families (TANF) – On September 30, 2002, authorization for the TANF Program expired. At this time, Congress has not passed legislation to



Federal Funding Issues

reauthorize funds for this welfare reform initiative, which began on October 1, 1997. States have been receiving TANF dollars under the authorization of continuing resolutions since October 1, 2002. Iowa has received \$131.5 million each year. If funding is not continued at the current level, the General Assembly may wish to consider providing other funds to maintain current cash assistance and services. For more information on this issue, contact Jennifer Vermeer (281-4611).

- ▶ Medical Assistance (Medicaid) Program – A portion of the Iowa Medicaid Program is financed with \$66.1 million in federal revenue from Intergovernmental Transfers (IGTs). The federal Centers for Medicare and Medicaid Services (CMS) has taken action to end these IGTs beginning in FY 2006. If the IGTs end in FY 2006, the impact will be a loss of \$66.1 million to the Medicaid Program. For more information on this issue, contact Jennifer Vermeer (281-4611).
- ▶ Transportation Equity Act of the 21st Century (TEA-21) – The Transportation Equity Act of the 21st Century was enacted in June 1998. The Act authorized spending levels for the State's transportation programs over a six-year period (FFY 1998 through FFY 2003). The Act expired on September 30, 2003. Since then, Congress has extended reauthorization six times. The most recent resolution, signed on September 30, 2004, provided an eight-month extension to allow continued funding at the authorized FFY 2004 levels through May 31, 2005. Iowa was apportioned \$383.3 million for highway projects in FFY 2004, and is estimated to receive \$261.6 million through May 31, 2005. Additionally, Iowa was apportioned \$39.1 million for public transit assistance in FFY 2004, and is estimated to receive the same amount in FFY 2005. Iowa also received an apportionment of \$35.3 million for aviation assistance in FFY 2004, and is estimated to receive \$27.7 million in FFY 2005. For more information on this issue, contact Mary Beth Mellick (281-8223).
- ▶ Prison Rape Elimination Act Grant – The Iowa Department of Corrections received a \$1.0 million award over a two-year period to prevent and eliminate prison rape with the ultimate goal of making communities safer when the aggressor and the victim are released from prison. There are three focuses: Training and education for both staff and inmates; investigation of complaints; and offender victim services. For more information on this issue, contact Beth Lenstra (281-6301).
- ▶ Iowa Homeland Security – Iowa received \$30.0 million in federal funds as part of the Homeland Security Program in FFY 2004. This includes \$22.8 million for the State Homeland Security Grant; \$6.8 million for the Law Enforcement Terrorism Prevention Program; and \$473,000 for the Citizen Corps Program. Iowa also received \$2.3 million under the Emergency Performance Grant.

House Resolution 5467 (FFY 2005 Department of Homeland Security Act) was signed into law October 18, 2004. The Act appropriates \$40.7 billion, which is a 10.0% increase compared to FFY 2004. The Act contains language that changes the formula used for the distribution of funds in FFY 2005. Projections indicate Iowa's funding could be reduced by 20.0% to 40.0% as the distribution of funds shifts from rural to more urban areas of the nation. The federal government will

notify states of estimated funding levels in January 2005. For additional information on this issue, contact Jennifer Acton (281-7846).

- ▶ The Department of Education, Division of Vocational Rehabilitation Services (DVRS), was unable to draw down \$2.0 million in federal funding in FFY 2004 due to a shortage of \$552,000 in non-federal match. This was the first time since 1996 that the DVRS could not match all available federal funds. The Division is estimating a 2.0% increase in available federal funding in FFY 2005 and predicts that matching dollars will again fall short, leaving the State unable to draw down \$1.9 million.

In addition to an annual State General Fund appropriation of \$4.3 million in FY 2005, the DVRS generates matching funds through third-party contracts with a variety of local and private agencies. These local and private agencies have also been impacted by the downturn in the economy and, in many cases, by reduced State funding. As a result, the Division's capacity to generate additional matching funds has been strained.

As of December 1, 2004, the DVRS has a caseload of 14,000, with more than 2,000 individuals on waiting lists. For additional information on this issue, contact Robin Madison (281-5270).

Some Executive Branch departments have not yet provided the full amount of federal funds anticipated for FY 2006. Others will likely be revising estimates prior to the release of the Governor's budget recommendations based on any new federal administrative rules that impact funding formulas or access to discretionary funds. If departmental estimates are revised prior to the beginning of the Legislative Session, the Fiscal Services Division of the LSA will provide updated estimates in the budget documents that will be distributed to the respective Appropriations Subcommittees.

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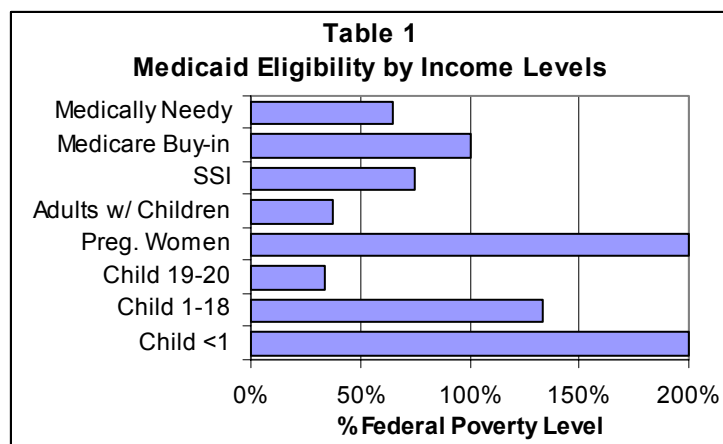
MEDICAL ASSISTANCE PROGRAM (MEDICAID)



Medicaid is a Medical Assistance Program funded jointly by State and federal funds to provide health care services to people with low-income and few resources. Medicaid covers low-income people who are also aged, blind, disabled, pregnant, children under age 21, or members of families with dependent children. For Federal Fiscal Year 2005, the federal matching rate for Iowa is 63.55%.

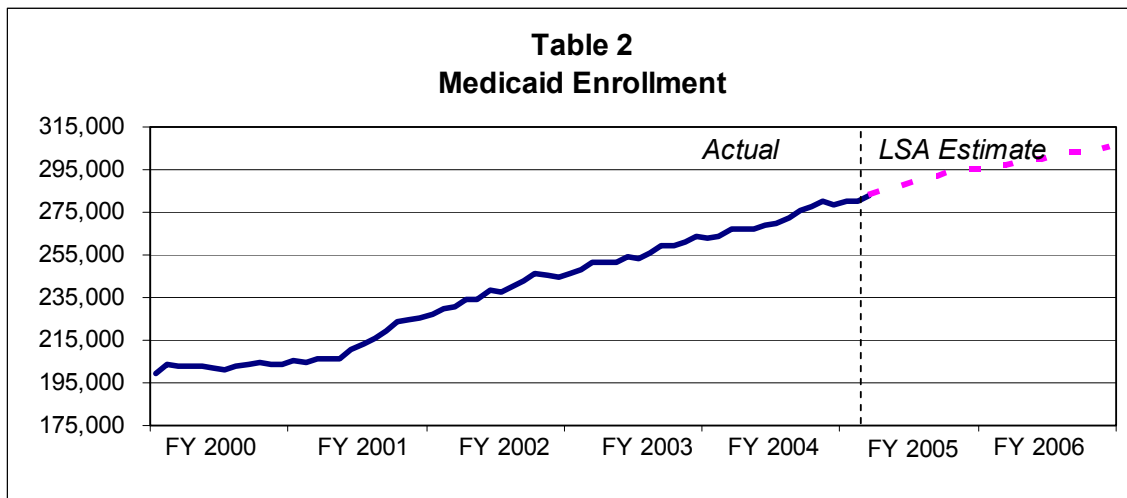
Iowa's Medical Assistance Program

The Iowa Medicaid Program covers individuals at various levels of income as allowed under federal law. **Table 1** shows the maximum income level for children, pregnant women, adults with dependent children, people receiving Supplemental Security Income (SSI), the Medicare Buy-in Program, and the Medically Needy Program. The income levels are based on the percentage of the Federal Poverty Level. The Federal Poverty Level is calculated annually by the federal government and varies by the size of the household. The Federal Poverty Level for a family of four is \$18,850 for 2004.



In September 2004, 283,000 Iowans were enrolled in Medicaid. Of this amount, 52.3% were children, 21.8% were adults with dependent children, 16.4% were disabled and 9.6% were over age 65. Fiscal Year 2004 State expenditures totaled \$537.0 million, which were matched by approximately \$1.7 billion in federal funds, for a total of approximately \$2.2 billion in expenditures. Of the total expenditures, 16.9% was for children, 9.5% was for adults with dependent children, 48.4% was for the disabled and 25.2% was for adults over age 65. While children account for approximately half of the enrollment, they consume less than 17.0% of Medicaid resources. Adults over age 65 and the disabled account for 26.0% of enrollment but utilize 73.6% of expenditures.

State Medicaid Enrollment



Medicaid programs throughout the nation have been experiencing significant growth attributed to economic conditions and increases in the cost of services. **Table 2** shows the enrollment growth in Iowa over the past four years. Enrollment began to increase significantly in December 2000. Average enrollment increased by 11.3% in FY 2002, by 7.2% in FY 2003, and by 6.4% in FY 2004. Enrollment is projected to continue to increase in FY 2005 and FY 2006. The Fiscal Services Division of the Legislative Services Agency (LSA) estimates Medicaid enrollment will increase by 5.9% in FY 2005 and 4.5% in FY 2006.

State Medicaid Expenditures

The FY 2005 State appropriation of \$568.2 million includes the following fund sources:

- \$354.8 million from the General Fund,
- \$134.3 million from the Senior Living Trust Fund,
- \$35.0 million from the Healthy Iowans Tobacco Trust Fund,
- \$37.5 million from the Hospital Trust Fund, and
- \$6.6 million from Property Tax Relief.

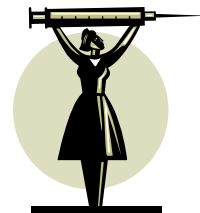


Table 3 shows actual State expenditures for Medicaid for FY 2002 through FY 2004, and the appropriation for FY 2005. In addition, the table includes the Legislative Services Agency estimate for expenditures for FY 2005, including the supplemental need, and estimated expenditures for FY 2006.

Medical Assistance Program (Medicaid)

Table 3
State Medicaid Expenditures

FY 2002 Actual	\$ 516.0 million
FY 2003 Actual	531.0 million
FY 2004 Actual	537.0 million
FY 2005 Appropriation	568.5 million
FY 2005 LSA Estimate (with Supplemental)	622.2 million
FY 2006 LSA Estimate	700.0 million

State Medicaid expenditures increased by 11.2% in FY 2002, 2.9% in FY 2003, and 1.1% in FY 2004. The projected expenditure increases for FY 2005 (with the supplemental) and FY 2006 are 15.8% and 12.5% respectively. These estimates are explained in more detail below.

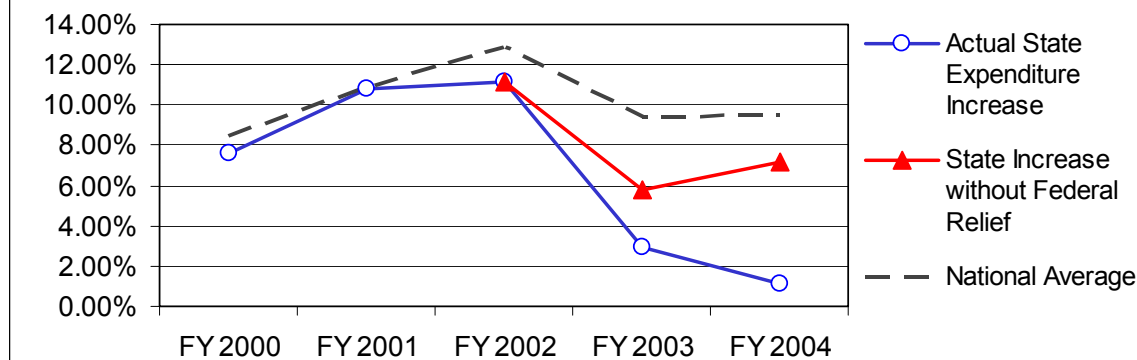
Federal Fiscal Relief



In 2003, Congress enacted legislation that allocated \$10.0 billion in one-time Federal Fiscal Relief for State Medicaid Programs. The funding was distributed through a 2.95% increase in the federal match rate for each state for the last quarter of State FY 2003 and all of State FY 2004. The increase in federal matching funds allows State expenditures to be shifted to federal funds on a one-time basis. For Iowa, this resulted in a shift of \$14.9 million in FY 2003 and \$47.6 million in FY 2004 to federal funds on a one-time basis.

In FY 2003, the State savings created by the increased federal funds reverted to the Senior Living Trust Fund pursuant to statute. In FY 2004, the State savings supplemented the Medicaid budget. The net FY 2004 ending balance in Medicaid was \$236,000 after all transfers and the increased Federal matching funds are included. In FY 2005, the 2.95% increase in the matching rate expires. State matching funds will need to increase by \$47.6 million to make up for the loss of the one-time federal funds.

Table 4
State Medicaid Expenditure Increases



If the increased federal matching funds had not been received, State Medicaid expenditures would have increased by 5.8% in FY 2003 and 7.2% in FY 2004. While these increases are significant, the growth Iowa has experienced is lower than the national average. According to a Kaiser Commission on Medicaid and the Uninsured report from October 2004, on average, Medicaid Program expenditures nationwide increased by 12.9% in FY 2002, 9.4% in FY 2003, and 9.5% in FY 2004 (see **Table 4**).

Intergovernmental Transfers



The Medicaid Program is dependent upon a financing mechanism called Intergovernmental Transfers (IGTs) that leverage approximately \$66.1 million in federal revenue annually. This federal revenue directly offsets State General Fund expenditures for the Medicaid Program. There are several variations of how IGTs work, but one component they share is a revenue transfer from one governmental entity to another. Recent actions at the federal level suggest IGTs may no longer be available as a financing strategy in FY 2006.

In FY 2006, the State of Iowa will receive \$66.1 million in increased federal revenue, over and above the federal matching rate, including the following:

- \$5.5 million through the Senior Living Trust Fund.
- \$23.9 million through the Hospital Trust Fund.
- \$18.3 million through the Supplemental Disproportionate Share Hospitals IGT.
- \$18.4 million through the Indirect Medical Education IGT.

Over the past year, the federal Centers for Medicare and Medicaid Services (CMS) has exerted significant pressure upon states to negotiate the end of IGTs. The CMS is withholding federal approval of all of Iowa's State Plan Amendments until Iowa withdraws its IGTs. The DHS developed a proposal to phase-out Iowa's IGTs and discussed it with CMS; however, CMS has not taken action on the proposal. Other states have negotiated with CMS to end their IGTs, but little information is available regarding the specific arrangements in each state.

It appears very likely that Iowa's \$66.1 million in IGTs will be discontinued in FY 2006. It is unknown whether the State will be successful in receiving approval of strategies that would help to offset the funding loss to the Medicaid Program.

Medicare Part D

The new Medicare prescription drug benefit, Medicare Part D, begins on January 1, 2006. Although Medicare is a federal program, the implementation of Part D will have a significant impact on Iowa's Medicaid Program:



Medical Assistance Program (Medicaid)

- ▶ States are required to perform eligibility determinations for the low-income subsidy.
 - ✦ An estimated 76,000 Iowa Medicare beneficiaries are estimated to be eligible for the low-income subsidy.
 - ✦ The Department of Human Services (DHS) estimates this will cost \$5.5 million for 170 Income Maintenance (IM) workers (1 IM worker per 447 Medicare beneficiaries, or 1.7 IM workers per county) to perform the eligibility determinations.
- ▶ States are required to send a payment to the federal government for coverage of dual eligibles, known as the “clawback” payment.
 - ✦ On January 1, 2006, prescription drug coverage for Medicaid recipients who are also eligible for Medicare will transfer to the new Part D coverage. Iowa Medicaid will no longer pay for the prescription drugs for this population.
 - ✦ The State will be required to make a monthly payment to the federal government, based on a complex formula. The DHS estimates Iowa’s payment will be \$29.4 million in FY 2006. The formula adjusts for inflation and other changes annually.
 - ✦ The clawback payment of \$29.4 million is offset by a decrease in prescription drug costs for the dual eligibles of approximately the same amount.



FY 2005 and FY 2006 Estimates

The staffs of the Department of Management, DHS, and Fiscal Services meet monthly to discuss current enrollment and expenditure data in the Medicaid Program and set a range for projected FY 2005 and FY 2006 expenditures. At the November 2004 meeting, the group agreed to the following ranges:

- ▶ FY 2005 – A deficit of \$52.0 million to \$85.0 million.
- ▶ FY 2006 – An increase of \$82.0 million to \$130.0 million compared to the FY 2005 appropriation (prior to the supplemental). This assumes:
 - ✦ Continuation of the Intergovernmental Transfers, which generate \$66.1 million in revenue in FY 2006.
 - ✦ The Senior Living Trust Fund will have a \$0 balance at the end of FY 2006.
 - ✦ It is very likely that the Intergovernmental Transfers will be discontinued by the Federal government in FY 2006. This increases the range to \$148.1 million to \$196.1 million compared to the FY 2005 appropriation.



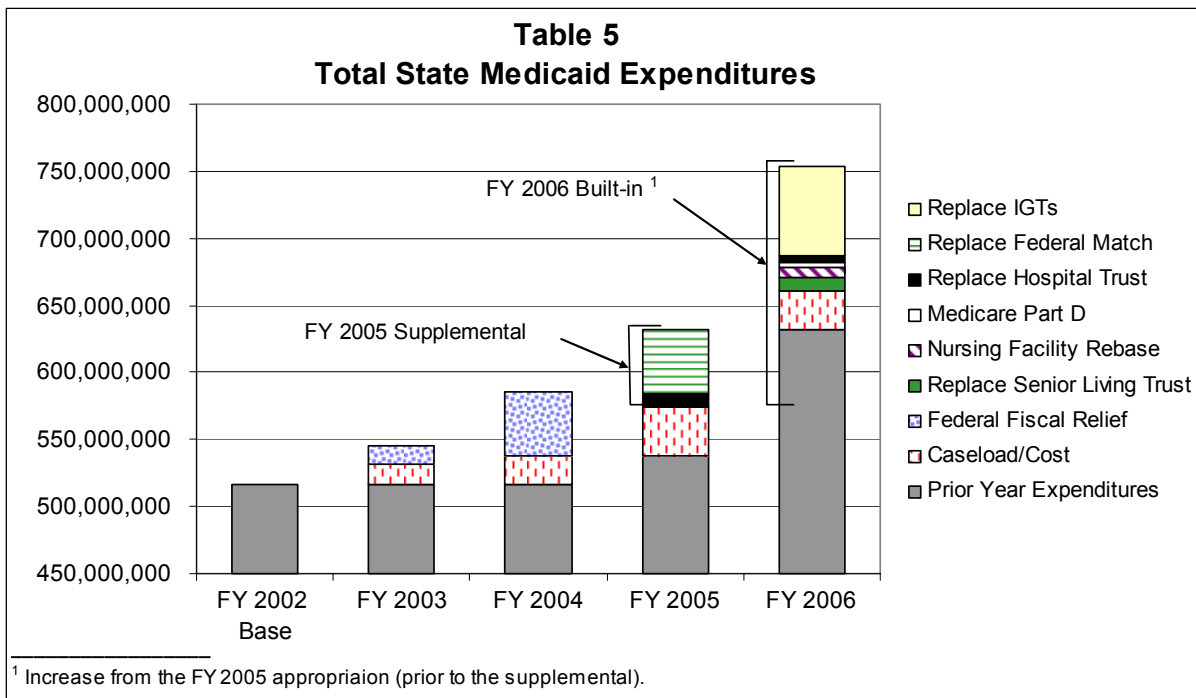
DHS Estimates

The DHS requested an adjusted status quo budget for the Medical Assistance Program for FY 2005, which includes an increase of \$30.2 million for FY 2006, including:

- Caseload growth of 3.6% in FY 2006.
- An increase of \$24.2 million to offset funding shortfalls in the Senior Living Trust Fund and the Hospital Trust Fund
- A Medicare Part D Clawback Payment of \$29.4 million
- A decrease of \$5.9 million for savings due to the new Medicaid Enterprise Project.
- The continuation of the IGTs and the current benefits and eligibility levels.
- No change in provider reimbursement rates. The DHS estimate does not include funding for the statutory increase in the acuity based rate system for nursing facilities, an increase of \$7.0 million.

The DHS identified funding increases totaling \$78.4 million that would not be funded under the adjusted status quo budget. The DHS's total projected increase is \$108.6 million for FY 2006.

LSA Estimates



The LSA estimates for Medical Assistance for FY 2005 and FY 2006 include:

- An increase of \$63.6 million for the FY 2005 supplemental. It was known when the FY 2005 budget was enacted that a supplemental would be required. The FY 2005 estimate includes (see **Table 5**):

Medical Assistance Program (Medicaid)

- ◆ Caseload growth of 6.1%. The FY 2004 caseload growth was 6.1%.
 - ◆ Decreases of \$24.0 million due to savings initiatives implemented in FY 2005.
 - ◆ Increases of \$70.4 million to replace the Federal Fiscal Relief, offset decreased revenue in the Hospital Trust Fund, and other cost increases.
- ▶ An increase of \$119.1 million for FY 2006 compared to the FY 2005 appropriation (prior to the supplemental). The FY 2006 estimate assumes (see **Table 5**):
- ◆ Caseload growth of 4.6%.
 - ◆ Decreases of \$30.4 million due to savings initiatives implemented in FY 2005 and FY 2006.
 - ◆ Increases of \$98.6 million due to shortfalls in the Hospital Trust and Senior Living Trust Funds, costs associated with Part D, and a statutorily required re-basing of nursing facility reimbursements.



Other Issues

- ▶ Iowa Medicaid Enterprise – The DHS contracts with a private entity for the majority of the administrative functions for the Medicaid Program (known as the “fiscal agent”). Historically, this was one very large contract. Beginning in FY 2006, a new contracting strategy will begin with eight separate contracts. This new administrative structure is called the “Iowa Medicaid Enterprise.” A few key points include:
- ◆ All of the contractors and the DHS staff will be in one location.
 - ◆ The new contracts require additional services to members, providers, and the DHS from the contractors, and the contracts have significantly more performance requirements.
 - ◆ The added services will result in increased costs of approximately \$5.0 million in the Medical Contracts budget unit. However, the added services are expected to result in a savings of \$5.9 million in the Medical Assistance budget. The savings have been factored into the FY 2006 Medicaid estimates.
- ▶ Medical Assistance Crisis Intervention Team – Senate File 2298 (FY 2005 Omnibus Appropriations Act) established the Medical Assistance Crisis Intervention Team, including the following requirements:
- ◆ The Team consists of provider representatives and is chaired by the President of the University of Iowa. The Team was required to submit a report of its findings on December 1, 2004.
 - ◆ The DHS provided detailed projections of Medicaid expenditures and enrollment through FY 2007, and provided a matrix of cost savings options.



- ✦ The Team made a number of recommendations, including but not limited to:
 - No reductions should be made to eligibility, services or provider reimbursement rates.
 - Implementation of a Preferred Drug List, expansion of incentives for lowans to purchase Long Term Care Insurance, and reducing regulatory burdens on health care providers.
 - Expansion of drug utilization review, increased collaboration between physicians and pharmacists, and urging the federal government to use its purchasing power to negotiate lower prices on prescription drugs.
 - Creation of a standing commission on health care.
 - Revenue enhancements, including a \$1 increase in Iowa's cigarette tax, a tax on advertising that promotes unhealthy consequences, and an increase in the alcohol tax. The proceeds of the revenue enhancements would be directed to the Medicaid Program.
 - The report can be found at <http://www.uiowa.edu/~govrel/macit/index.html>.

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SENIOR LIVING TRUST FUND



The Senior Living Trust Fund was established by the 2000 General Assembly to receive intergovernmental transfers from participating, government-owned nursing facilities. The funds are derived by calculating the difference between the Medicaid reimbursement rate paid to nursing facilities and the Medicare rate, which is typically higher. The federal matching funds collected on this difference are deposited into the Fund.

Section 249H.2(2), Code of Iowa, specifies that the goal of the Senior Living Program is to create a comprehensive long-term care system that is consumer-directed, provides a balance between the alternatives of institutionally and non-institutionally provided services, and contributes to the quality of the lives of Iowans.

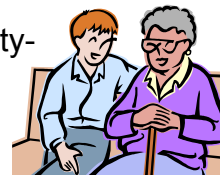


The Fund is a time-limited revenue source, and deposits are expected to decrease significantly beginning in FY 2005 and beyond due to the phase-down of this particular Intergovernmental Transfer (IGT). However, recent actions at the federal level indicate that all of the State's IGT revenues will be discontinued in FY 2006. During the last year, the federal Centers for Medicare and Medicaid Services (CMS) has put significant pressure on all states to negotiate an end to IGTs. The Department of Human Services (DHS) developed a proposal to phase-out Iowa's IGTs; however, the CMS has not yet taken action on the proposal.

FY 2005 Senior Living Trust Fund Appropriations

For FY 2005, the General Assembly appropriated a total of \$162.3 million from the Fund to the Departments of Human Services, Elder Affairs, and Inspections and Appeals for the following:

- \$131.6 million to the DHS to supplement the Medical Assistance (Medicaid) Program.
- \$20.0 million to the DHS for nursing facility conversion grants. Of this, \$7.0 million was allocated to the Iowa Finance Authority (IFA) to create revolving funds that will support alternative long-term care services, and \$2.0 million was allocated to Medicaid for an inflation adjustment for nursing facility reimbursements.
- \$1.7 million to the DHS for reimbursements for home and community-based services under the Medicaid Elderly Waiver.
- \$8.2 million to the Department of Elder Affairs for non-Medicaid home and community-based services for seniors.



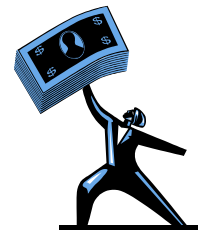
- \$800,000 to the Department of Inspections and Appeals for the oversight of assisted living and adult day services programs.

Legislative Repayment Provisions

The General Assembly has made the following repayment provisions for the Senior Living Trust Fund:

- House File 2039 (98.0% Expenditure Limitation Act) requires that at the close of FY 2006, an amount equal to 1.0% of the adjusted revenue estimate from the General Fund surplus be appropriated to the Senior Living Trust Fund before the surplus is transferred to the Cash Reserve Fund. If the surplus is less than 2.0%, the amount appropriated to the Fund will be equal to one-half of the surplus. These appropriations are to continue until \$118.0 million has been deposited.

Using current estimates for revenues and expenditures for FY 2006, the projected General Fund surplus will be an estimated \$61.5 million, or 1.3% of the FY 2006 adjusted revenue estimate. It is estimated that the Senior Living Trust Fund will receive \$30.7 million from the surplus at the beginning of FY 2007.



- House File 667 (FY 2004 Health and Human Services Appropriations Act) required the remaining FY 2003 State Medicaid funds of \$28.0 million be transferred to the Fund.
- House File 2627 (FY 2003 Second Omnibus Appropriations Act) required the FY 2002 remaining State Medicaid funds of \$6.0 million be transferred to the Fund.
- House File 2245 (FY 2002 Medicaid Supplemental Appropriations Act) required the remaining FY 2002 Hospital Trust Fund balance of \$13.2 million be transferred to the Fund.

Senior Living Trust Fund Projections

The Fiscal Services Division of the LSA estimates the Fund will have \$138.0 million in revenue available for FY 2006; however, this amount will be less if Iowa's IGTs are discontinued. The Departments of Elder Affairs, Human Services, and Inspections and Appeals have requested appropriations totaling \$136.7 million for FY 2006, a decrease of \$25.6 million compared to estimated FY 2005. The DHS FY 2006 request includes a decrease of \$20.0 million to eliminate funding for conversion grants, and a decrease of \$5.6 million for Medicaid, which is offset by a General Fund increase. Assuming the State's IGTs continue, and if appropriations are made at the level requested by the Departments, the Fund will have a balance of \$1.3 million at the end of FY 2006. The following table provides revenues and expenditures for the Fund beginning with FY 2001 and projected to FY 2006.

Senior Living Trust Fund

SENIOR LIVING TRUST FUND PROJECTIONS (Dollars in Millions)

	Actual FY 2001	Actual FY 2002	Actual FY 2003	Actual FY 2004	Est. FY 2005	Dept. Req. FY 2006
Revenues						
Beginning of SFY Fund	\$ 0.0	\$ 60.9	\$ 127.0	\$ 366.8	\$ 286.1	\$ 130.1
Intergovt Transfer	95.6	129.9	120.6	52.9	5.5	5.5
Intergovt Transfer (Hospital Trust Fund)	0.0	13.2	0.0	0.0	0.0	0.0
Medicaid Transfer	0.0	6.0	28.0	0.0	0.0	0.0
Pending Fund Transfer	0.0	0.0	169.5	0.0	0.0	0.0
Interest	3.8	4.4	6.4	7.3	3.5	2.4
Total Revenues	\$ 99.4	\$ 214.4	\$ 451.5	\$ 427.0	\$ 295.1	\$ 138.0
Expenditures						
NF Conversion/LTC Service Grants	\$ 0.5	\$ 7.9	\$ 1.8	\$ 0.5	\$ 20.0	\$ 0.0
NF Conversion Grant Carry Forward					2.7	
DHS Service Delivery						
Assisted Living Rent Subsidy	0.0	0.1	0.3	0.2	0.7	0.7
HCBS Elderly Waiver	0.0	0.7	0.7	0.7	0.7	0.7
NF Case Mix and Price Methodology	33.7	24.8	30.0	30.0	30.0	30.0
Medicaid Supplement	0.0	48.5	45.5	101.6	101.6	96.0
DHS Administration & Contracts	0.3	0.0	0.0	0.0	0.3	0.3
DEA Service Delivery & Administration	4.1	5.3	6.5	7.5	8.2	8.2
DIA Asst'd Living & Adult Day Care	0.0	0.0	0.0	0.4	0.8	0.8
Total Expenditures	\$ 38.5	\$ 87.3	\$ 84.7	\$ 140.9	\$ 165.0	\$ 136.7
Ending Trust Fund Value	\$ 60.9	\$ 127.0	\$ 366.8	\$ 286.1	\$ 130.1	\$ 1.3

The sum of the numbers may not equal totals due to rounding.

Key:

NF = Nursing Facility

HCBS = Home & Community Based Services

LTC = Long-Term Care

DEA = Department of Elder Affairs

DIA = Department of Inspections & Appeals

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IOWA CORRECTIONS SYSTEM

Present Corrections System

The Iowa corrections system has four parts – administration, prisons, Community-Based Corrections, and Iowa Prison Industries. The Central Office is located in Des Moines and has responsibilities for administration, planning, policy development, program monitoring, and budgeting. Some staff performs system-wide administrative functions (for example, the medical services director and staff) and are located at one of the institutions or Community-Based Corrections (CBC) District Departments. One Regional Deputy Director and his staff are located in the Sixth CBC District Department. Iowa Prison Industries oversees the prison farms, traditional industry programs, private sector employment, and the prison canteen system. Iowa Prison Industries is self-funded and operates without General Fund support.

The prisons are responsible for incarcerating violent offenders and higher-risk individuals and providing the offenders with services essential to reducing risk to the general public upon release or parole. Community-Based Corrections provides supervision and transitional treatment for probationers, work release clients, Operating While Intoxicated (OWI) inmates, and parolees within a community setting. Community-Based Corrections provides both residential and field services (street) supervision.



The CBC District Departments have responsibility for approximately 78.0% of the offenders under correctional supervision while they have approximately 25.5% of the total staff. In FY 1990, CBC supervised 80.5% of the offenders, but by FY 2004, the percentage had declined to 77.3%. Between FY 1990 and FY 2004, the prison population increased from 3,842 to 8,611 inmates, an increase of 4,769 (124.1%) inmates. Over the same time period, the CBC population grew from 16,905 to 29,320 offenders, an increase of 12,415 (73.4%).

Prison System

The Iowa corrections system operates a continuum of sanctions, ranging from probation with minimal supervision to incarceration. The prisons provide the most severe level of sanction, incarcerating violent offenders and those offenders who cannot be safely managed in community settings. In addition to security, prisons provide for housing; dietary services; medical, mental health and substance abuse treatment; education and job skills training; behavioral and psychological treatment; and recreational activities.



Facilities – The prison system has nine major prison facilities with a total of 6,989 general population beds and 511 medical and segregation beds. The prisons were operating at 122.9% of designed capacity on October 8, 2004. **Table 1** describes the nine prisons and distribution of the general population beds.

Table 1

Iowa Prison System

(As of October 8, 2004)

Prison	Current Capacity	Security Type	Population	No. Over Capacity	Emphasis
Ft. Madison	1,081	Max. – 749 Med. – 152 Min. – 180	721 155 116	-28 3 -64	General – Male
Anamosa	1,001	Med. – 913 Min. – 88	1,256 67	343 -21	General/Education – Male
Mitchellville	443	Min. – 443	590	147	General – Female
Newton	928	Min. – 166 Med. – 762	254 909	88 147	Pre-Release – Male General
Oakdale	504	Med. – 504	818	314	Reception/Evaluation/ General/Psychiatric
Mt. Pleasant	875	Med. – 875	1,058	183	Substance Abuse/Sex Offender – Male
Ft. Dodge	1,162	Med – 1,162	1,249	87	General Male/Youthful Offender
Clarinda	750	Med. – 750	917	167	Special Learning – Male
Rockwell City	245	Med. – 245	480	235	General – Male
Total	6,989		8,590	1,601	

Since the beginning of FY 1990, 4,466 prison beds have been added to the system, an increase of 153.1%. Listed below are the two facilities currently under construction:

- Clarinda Lodge – 225-bed minimum security facility scheduled to open in January 2005.
- Special Needs Unit at Oakdale – 170-bed maximum security facility scheduled to open in FY 2007. This facility is being constructed due to a federal court order.

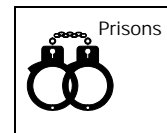
Projected Prison Population Growth – On October 8, 2004, there were 8,590 inmates in Iowa’s prison system. This is 144 (1.7%) more inmates than one year ago. Prison admissions have outpaced releases for each of the last five years.

The Criminal and Juvenile Justice Planning Division (CJJPD) of the Department of Human Rights has prepared a prison population forecast that adjusts for the recent departmental policy changes and projects prison population growth through FY 2014. If current offender behavior and justice system trends remain unchanged, the prison population will be 10,582 inmates by June 30, 2014, an increase of 22.9% over the next 10 years. The growth is attributable to:



- An increase in new prison admissions. Admissions to prison have increased by 58.1% since FY 1994.
- An increase in admissions of drug offenders. These admissions have increased by 225.6% since FY 1994. For the first time, drug offenses accounted for more admissions to Iowa prisons than any other offense type in FY 2004.
- An increase in felony charges filed. Felony filings in district courts have increased by 19.1% since FY 1999, the first year this information was available.
- An increase in CBC offender populations. The number of offenders supervised by the CBC District Departments has increased 55.5% since FY 1994.
- Housing federal prisoners and detainees. There were 179 federal prisoners and detainees housed in Iowa prisons on October 8, 2004.
- Increase in average length of stay in prison before release.
- Decrease in parole releases from prisons.
- The long-term effect of restricting or abolishing parole for certain crimes.

Addition of Three New Prisons – The forecast creates capacity issues because, based on the forecast, the prison system will be operating at 143.3% of current design capacity by the end of FY 2014. According to the DOC, for every 1,000 increase in the inmate population, a new 800-bed prison will need to be constructed. This assumes each prison will operate at 125.0% of capacity. If the inmate population reaches 10,582, three new 800-bed prisons will need to be built at an estimated construction cost of \$50.0 million for each prison. Each prison will incur annual operating costs of approximately \$28.0 million. Total capital costs are estimated to be \$150.0 million and annual operating costs are estimated to be \$84.0 million. If three new prisons are constructed and the population reaches 10,582 inmates, the prison system will be operating at 108.2% of design capacity.



Community-Based Corrections Population Growth – The CJJPD does not forecast the CBC populations. The following information was prepared using average annual percentage growth rates. The average annual growth rate for the CBC population since

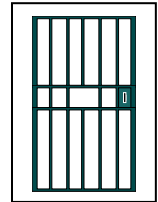
Iowa Corrections System

FY 1994 (10-year average) has been 5.5%, and since FY 1989, the growth rate has averaged 4.7% (15-year average). Using these average annual rates of growth, the CBC population will be approximately 53,000 offenders by the end of FY 2014, an increase of 23,680 offenders, or 80.8%.

Funding to Maintain Current Level of Services – If the CBC population reaches 53,000 offenders in 10 years, the General Fund appropriation will need to increase in order to maintain the current level of service. Assuming the budget will increase at the same rate as the CBC offender population, by FY 2014, the CBC District Departments will need a budget of approximately \$92.6 million, an increase of \$31.6 million (51.8%) compared to the estimated net FY 2005 General Fund appropriation.

Summary

The corrections system can be expected to continue to grow over the next decade, both in prisons and CBC. This growth will require the construction of new prisons, expansion of Iowa Prison Industries, and an increase in CBC staffing and programming if current levels of service are to be maintained. There are options that may reduce the projected offender population, including:



- Sentencing changes such as the repeal or reduction of mandatory minimum terms or habitual offender laws.
- Improve communication between the Department of Corrections and Board of Parole. The Board's expectations for offender treatment should be communicated early in an offender's sentence, so the DOC may provide those treatment services before the offender is eligible for parole.
- Expand early release or parole eligibility.
- Enhance judicial discretion in criminal sentencing.
- Expand drug treatment availability.
- Establish a Sentencing Commission.
- Increase alternatives to prison for technical violators.
- Create emergency release mechanisms.

All alternatives listed previously will require additional resources for the DOC and/or the CBC District Departments. The alternatives, however, may slow the rate of growth in corrections spending or provide methods of future cost avoidance. The future costs of Iowa's current criminal penalties are greater than the costs of the alternatives.

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IOWA SCHOOL FOUNDATION FORMULA

School Foundation Formula History

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 for per pupil expenditures, which was previously established by a formula based on the rate of inflation and State revenue growth. In 1995, the General Assembly established the practice of setting the allowable growth rate two years in advance within 30 days of the submission of the Governor’s budget each year. The 1999 General Assembly further revised the School Foundation Formula by raising the foundation level for the special education component of regular program cost from 79.0% to 87.5%. In addition, funding for talented and gifted programs was shifted from 100.0% property tax to the regular program portion of the foundation formula by adding \$38 to the State cost per pupil beginning with FY 2000. **Chart 1** displays the allowable growth rates since FY 1984.

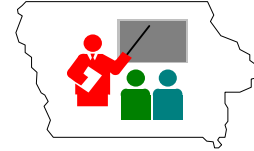
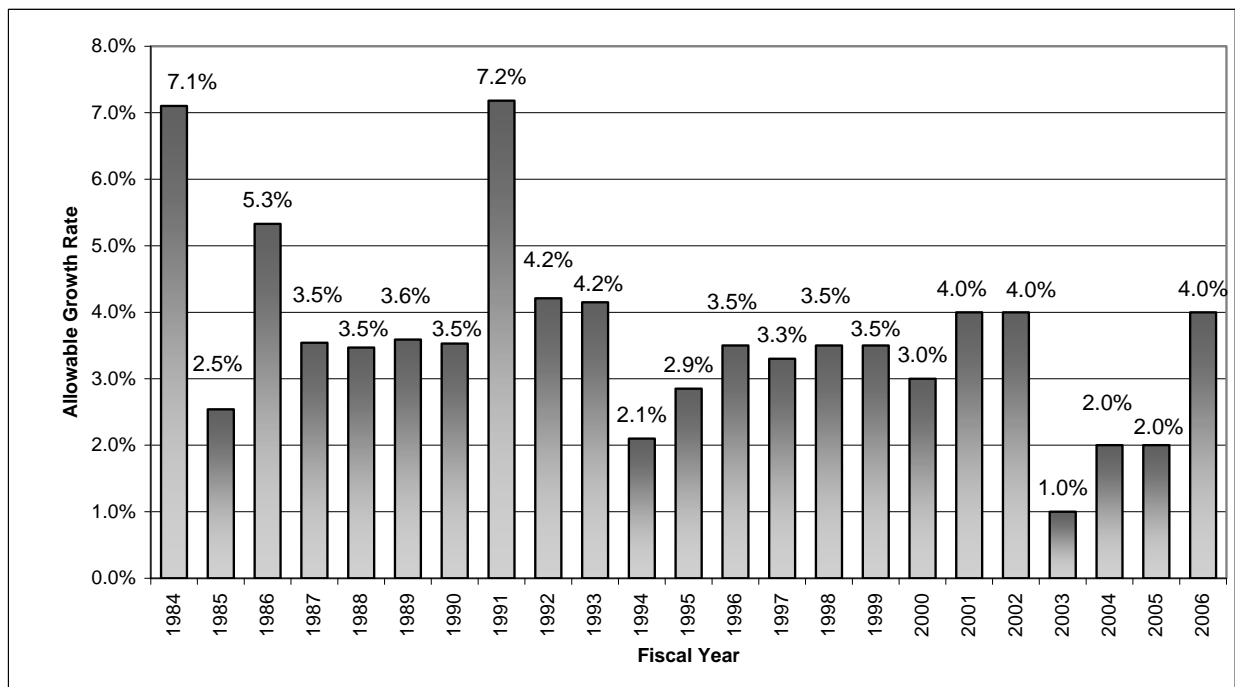


Chart 1
Allowable Growth Rates



Iowa School Foundation Formula

The School Foundation Formula is based on budget 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. In addition, school districts may obtain authority to raise additional property tax revenues from the School Budget Review Committee (SBRC) for drop-out prevention programs, to accommodate unusual increases or decreases in enrollment, to meet additional special education program needs, as well as for a variety of circumstances specified in Section 257.31, Code of Iowa. Other optional funding sources available to districts in the general education fund area include the Cash Reserve Levy, Management Levy, and Instructional Support Levy. Across-the-board reductions to State Aid, such as those in FY 2002 and FY 2004, do not affect allowable growth or the school districts' spending authorities. Shortfalls in State Aid can be offset by funds from the Cash Reserve Levy property tax.



Local school districts have a number of optional funding sources available to them for non-general education fund activities. These include: Debt Service Levy, Schoolhouse Property Tax Levy, Physical Plant and Equipment Levy, and the Educational and Recreation Levy.

Over the past several legislative sessions, modifications have been made to the School Foundation Formula. Supplemental weightings have been provided for grade school students that qualify for the free and reduced lunch program, for hosting a regional academy, and for English as a Second Language students. Property tax reductions and supplemental weightings have been offered as incentives for school districts that merge or reorganize.

Enrollment Decline

Over the past three decades, the statewide total enrollment has declined at an average annual rate of 0.9%. All totaled, there are 161,938 (25.0%) fewer students for the FY 2005 enrollment than in FY 1973. Enrollments decreased from 646,949 in FY 1973 to 478,816 in FY 1991. In FY 1992 enrollments began to increase, topping out at 505,523 in FY 1998, and then declining to 485,011 in FY 2005. This downward trend is expected to continue for the next several years.

Over the same period, the number of school districts has decreased from 452 in FY 1973 to 367 in FY 2005, a decrease of 85 (18.8%) school districts. In most years, the decrease was three or fewer school districts, but between FY 1992 and FY 1997 there was a decrease of 51 school districts. (See **Chart 2**.)

Chart 2

Budget Enrollment and the Number of School Districts

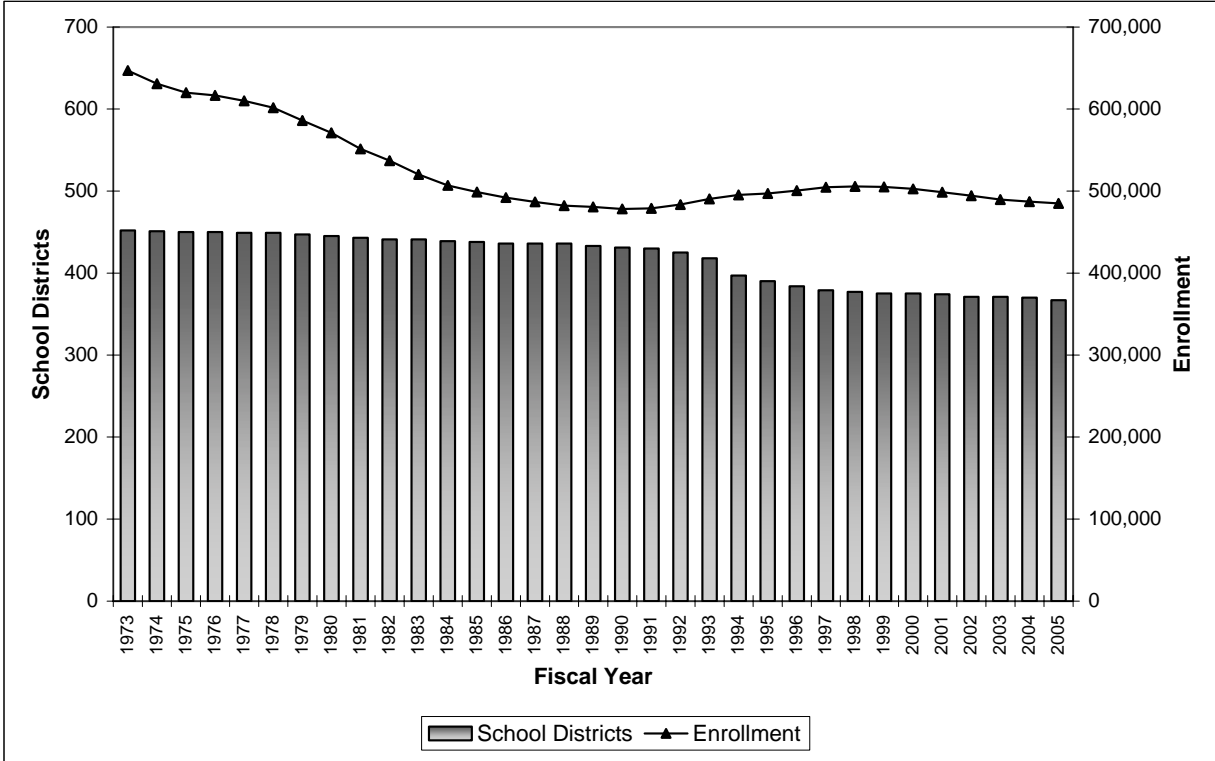
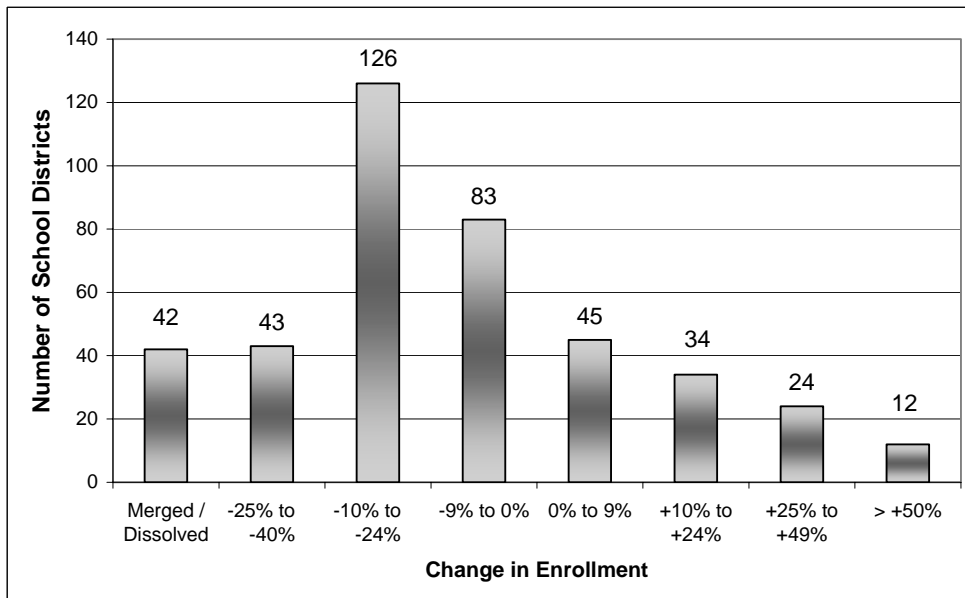


Chart 3

Percentage Change in Budget Enrollment: FY 1986 to FY 2005



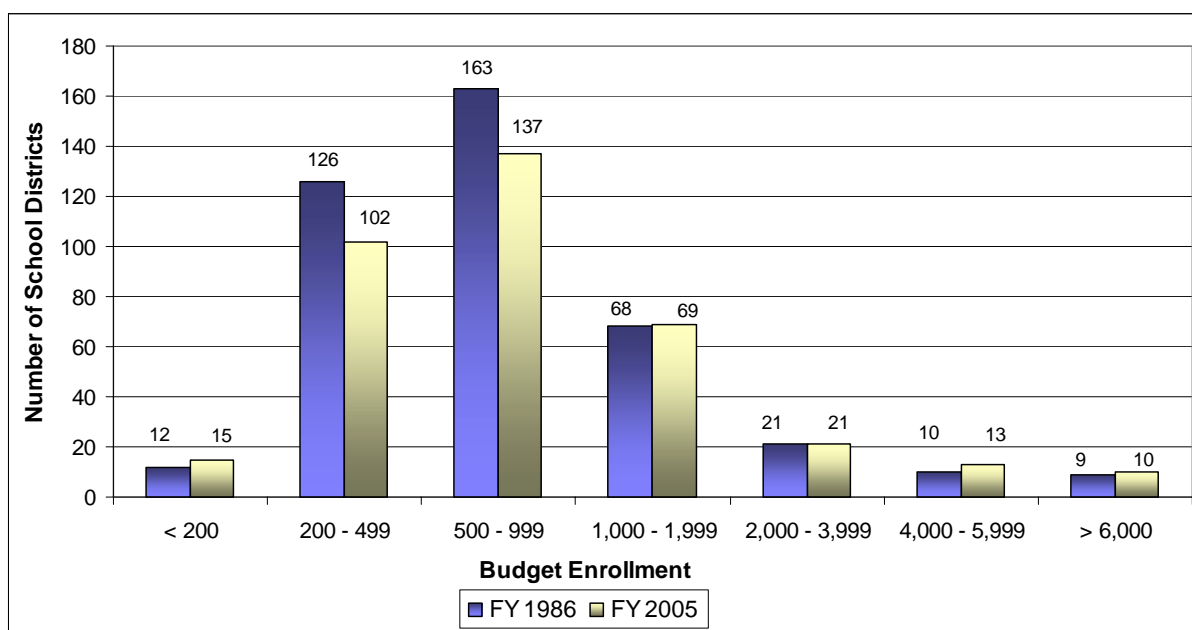
Iowa School Foundation Formula

Chart 3 shows the number of school districts by percentage change in enrollment. Between FY 1986 and FY 2005, 294 (71.9%) of the school districts had decreased budget enrollments while 115 (28.1%) showed increased enrollments. Forty-two school districts merged or dissolved. Garnavillo School District decreased by 47.8% from 412 to 215 students. Waukee experienced 277.8% growth, increasing from 943 students to 3,563. The modal change was a decrease between 10.0% and 25.0%.

Chart 4 compares the number of school districts by enrollment categories. It shows that between FY 1986 and FY 2005, there was a decline in the number of school districts with fewer than 1,000 students, while the number of school districts with more than 1,000 students remained fairly constant or increased slightly.

Chart 4

Number of School Districts by Budget Enrollment: FY 1986 and FY 2005

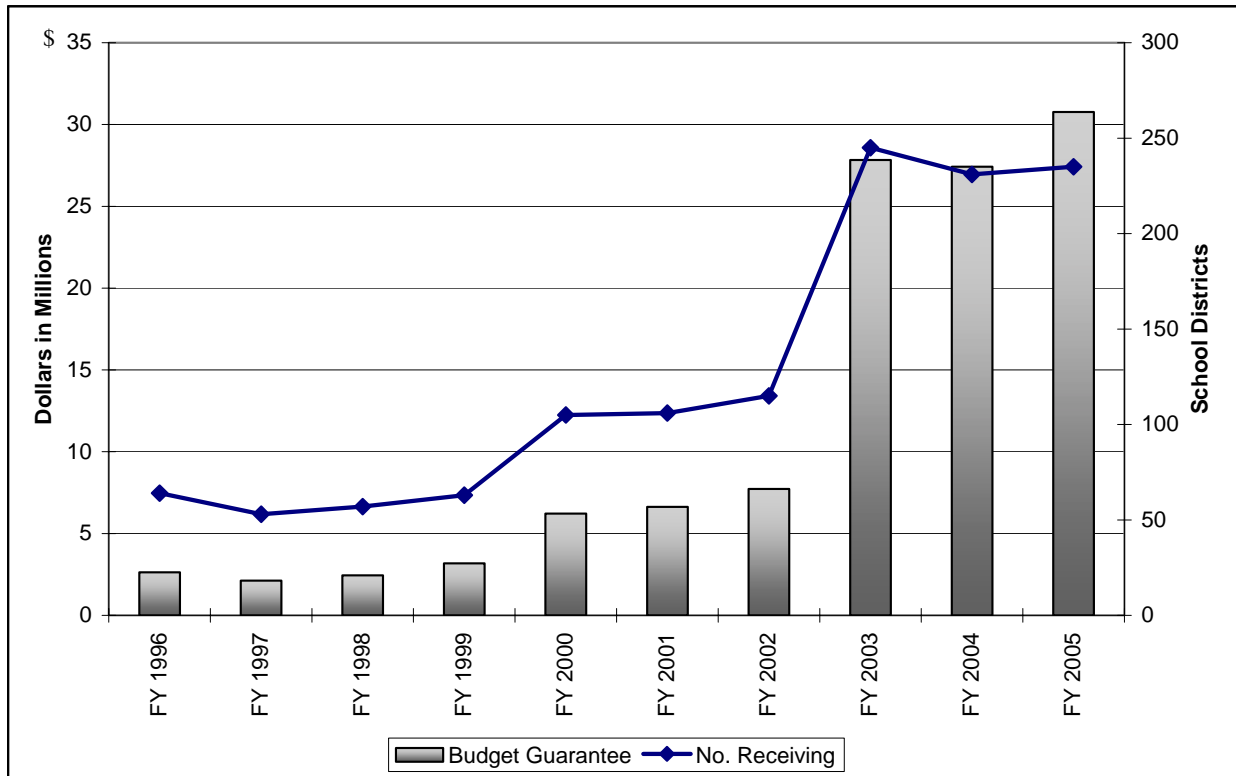


Budget Guarantee

School districts with declining enrollments have been eligible to receive additional funding, called a “budget guarantee,” since FY 1996. The budget guarantee has been funded entirely from property taxes, except for two years. In FY 1996, the budget guarantee was funded with a combination of local property tax and State Aid, and in FY 2000, it was funded entirely with State Aid. **Chart 5** provides the budget guarantee funding levels since FY 1996. In FY 2005, the budget guarantee provided 235 school districts with funding totaling \$30.8 million.

Chart 5

Budget Guarantee Amounts and Number of Recipients: FY 1996 - FY 2005



Senate File 203 (School Reorganization Incentives Act), passed during the 2001 Legislative Session, changed the budget guarantee so that beginning in FY 2005 it is no longer based on providing the previous year’s total regular program district cost. In FY 2005 and future years, school districts with declining enrollments will be eligible for one of two options. They will receive the higher of:

- 101.0% budget adjustment that is based on the previous year’s regular program district cost without any previous budget guarantee adjustment.
- 90.0% budget guarantee that is based on the FY 2004 total regular program district cost which includes the FY 2004 budget guarantee. This percentage will be scaled back 10.0% each year until FY 2014. Only districts that receive this option in FY 2005 will be eligible to receive this budget guarantee option in future years.

State Aid for FY 2007

The allowable growth rate has been set at 4.0% for FY 2006, which in turn establishes the spending authority once enrollment counts are finalized. **Table 1** shows the School Foundation Formula funding and sources for FY 2005 and FY 2006 at the currently

Iowa School Foundation Formula

approved allowable growth rates and various FY 2007 allowable growth rates. For purposes of FY 2007 scenarios, taxable valuations are projected to increase by 2.0%. Special education weightings are expected to increase by 3.5%. The supplemental weighting for shared programs and the supplemental weighting for Limited English Proficiency are expected to increase by 10.0%. The supplemental weighting for At-Risk Students is not expected to change. Contact the Legislative Services Agency (LSA) for further explanation of the assumptions and any additional detail.

Table 1

Estimated FY 2007 Funding at Various Allowable Growth Rates Compared to Estimated FY 2006

(Dollars in Millions)

Fiscal Year	Allow. Growth	State Aid	Property Tax	Total Budget	Budget Guarantee	Number of Districts Receiving Budget Guarantee
2005	2.0%	\$ 1,881.2	\$ 1,025.7	\$ 2,907.0	\$ 30.8	235
2006	4.0%	1,974.6	1,045.1	3,019.7	18.8	172
FY 2007 for Different Levels of Allowable Growth						
2007	6.0%	\$ 2,130.4	\$ 1,077.8	\$ 3,208.3	\$ 8.5	93
	5.0%	2,105.6	1,074.6	3,180.2	10.3	109
	4.0%	2,079.7	1,072.7	3,152.4	12.9	127
	3.0%	2,054.4	1,072.1	3,126.4	16.7	158
	2.0%	2,029.0	1,073.7	3,102.7	22.8	192
	1.0%	2,004.2	1,077.5	3,081.7	32.1	223
	0.0%	1,978.8	1,086.1	3,064.9	44.8	261
	-1.0%	1,953.5	1,098.7	3,052.2	61.4	297
	-2.0%	1,928.1	1,114.2	3,042.4	81.2	320
FY 2007 Change from FY 2006						
2007	6.0%	\$ 155.9	\$ 32.7	\$ 188.6	\$ -10.3	-79
	5.0%	131.1	29.5	160.5	-8.5	-63
	4.0%	105.1	27.6	132.7	-5.9	-45
	3.0%	79.8	27.0	106.7	-2.0	-14
	2.0%	54.4	28.6	83.0	4.0	20
	1.0%	29.6	32.4	62.0	13.3	51
	0.0%	4.3	41.0	45.2	26.0	89
	-1.0%	-21.1	53.6	32.5	42.7	125
	-2.0%	-46.5	69.1	22.7	62.5	148

Notes: There may be some change in these estimates after the 2004 enrollments are finalized. The Budget Guarantee funding is included in the Property Tax amounts.

Issues for the 2005 Legislative Session

There are a number of issues that may arise related to the School Foundation Formula. Some of the issues the General Assembly may want to consider are:

- ▶ School Finance Formula Review Committee – The Interim Committee is required by Section 257.1(4), Code of Iowa, to meet every five years to review the school finance formula and make recommendations. Three meetings were held during the 2004 interim. The first meeting on August 24 reviewed the school finance formula and recent trends. The second meeting on November 23 heard presentations on community college sharing programs, the School Budget Review Committee, property tax valuation, transportation costs, and dropout and dropout prevention programs. The third meeting on December 16 considered recommendations to the General Assembly.
- ▶ Changes to the Property Tax System – The 2004 interim Property Taxation Review Committee has continued the work of the Property Tax Implementation Committee. Recommendations from this Committee could affect the State Foundation Aid since approximately one-third of the funding for schools comes from property tax.
- ▶ Budget Guarantee – Beginning in FY 2005, the Budget Guarantee is no longer based on providing 100.0% of the total regular program district cost, and school districts have begun to experience the impact of the change made during the 2001 Legislative Session.
- ▶ School District Consolidations – Three school districts consolidated at the beginning of FY 2005. The ratcheting down of the budget guarantee and the approaching July 1, 2006, deadline for consolidation for those receiving sharing supplemental weighting may encourage other districts to consider merging or dissolving.
- ▶ No Child Left Behind – In the federally required No Child Left Behind Report Card (Iowa Department of Education, August 2004), 66 of the 1,491 public schools were identified as schools in need of assistance (SINA) and 9 of 370 school districts were identified as districts in need of assistance. If a school or district does not meet the annual Adequate Yearly Progress (AYP) state participation goals or state Annual Measurable Objectives (AMO) in reading or mathematics assessment in any one of grades 4, 8, and 11 in the all students group or one of the subgroups for two consecutive years, it is designated as in need of assistance. In addition, if a district fails to meet the K-8 average daily attendance rate or high school graduation rate for two consecutive years, it is designated as in need of assistance.

Iowa School Foundation Formula

Additional Information

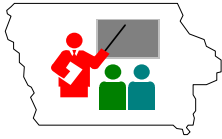
The LSA has a topic presentation on the General Assembly web site that explains the [School Aid Foundation Formula](#). (Click on the title to view the presentation.)

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EDUCATION ISSUES

Iowa Learns Council Recommendations

In September 2003, Governor Vilsack formed the Iowa Learns Council to review all aspects of education in the State and to recommend strategies to achieve a seamless and coordinated system. Members include leaders in education, government, business, and industry. The Council formed subgroups to focus on early childhood, K-12 education, and the relationship between education and economic growth.



The Council and subgroups met and issued final recommendations in August 2004. The Governor's FY 2006 budget priorities may reflect the recommendations, which were as follows:

Partnerships

- ▶ Establish a new Iowa Partnership for Education and the Economy. The Governor and Lieutenant Governor will appoint members from business, labor, education, families, communities, and State policy makers who will ensure a coherent connection with education and workplace needs. The Partnership will report annually on indicators of success by students, by education leaders at all levels, and by employers.
- ▶ Provide a one-stop contact point for information useful to both educators and employers, including a State-level clearinghouse for internships, job shadowing experiences, and other workplace learning opportunities for students that are linked to economic development goals.
- ▶ Build an integrated, comprehensive early care, health and education system that includes transition plans so that all children move smoothly into the K-12 education system.
- ▶ Develop and support partnerships at the local, regional, and State level that remove barriers and integrate resources to meet student needs.
- ▶ Create incentives for education and employment in fields that are most important for Iowa's economy.

Expectations

- ▶ Adopt Early Learning Standards to provide guidance on the breadth and depth of learning for students who have yet to enter Kindergarten.



Education Issues

- Move aggressively to expand quality preschool opportunities for all students and assure universal access to high quality preschool programs for 3 and 4 year olds.
- Facilitate community dialogues to develop expectations for higher levels of achievement for high school graduates necessary for success in post-secondary education and the workforce and new ways these expectations can be met.
- Provide strong academic support systems for high school students and their parents to help prepare them to be successful in further education and work after they graduate.

Professional Development

- Provide support programs for families with young children to enable parents to be their child's first and best teacher.
- Provide training opportunities focused on increasing knowledge and skills for child care providers and early childhood teachers through increased State and local incentives and investments.
- Renew the financial commitment to Iowa's Teacher Quality legislation as one of the top priorities for the Governor and the Iowa Legislature in this coming session. Specific funding for professional development that supports intensive research-based classroom strategies for our current teachers is necessary.
- Integrate skills necessary to succeed in the new economy including skills working in team environment, critical thinking and basic skill acquisition into curriculum and instruction. All teachers, regardless of their setting or age-level of their students, should value and integrate these skills into their efforts. Any training for teachers, pre-K through postsecondary, should integrate and emphasize these skills.



Leadership

- Provide educational leaders the support needed to enact changes that will provide students with the highest learning opportunities from birth through employment.
- Establish a Quality Rating System for early childhood providers that will inform parents and employers of early childhood environments that are of the highest quality.
- Create mechanisms for leaders at all levels of education to assure that students and their families can negotiate the transitions between levels smoothly by aligning expectations, curriculum, and skill development.

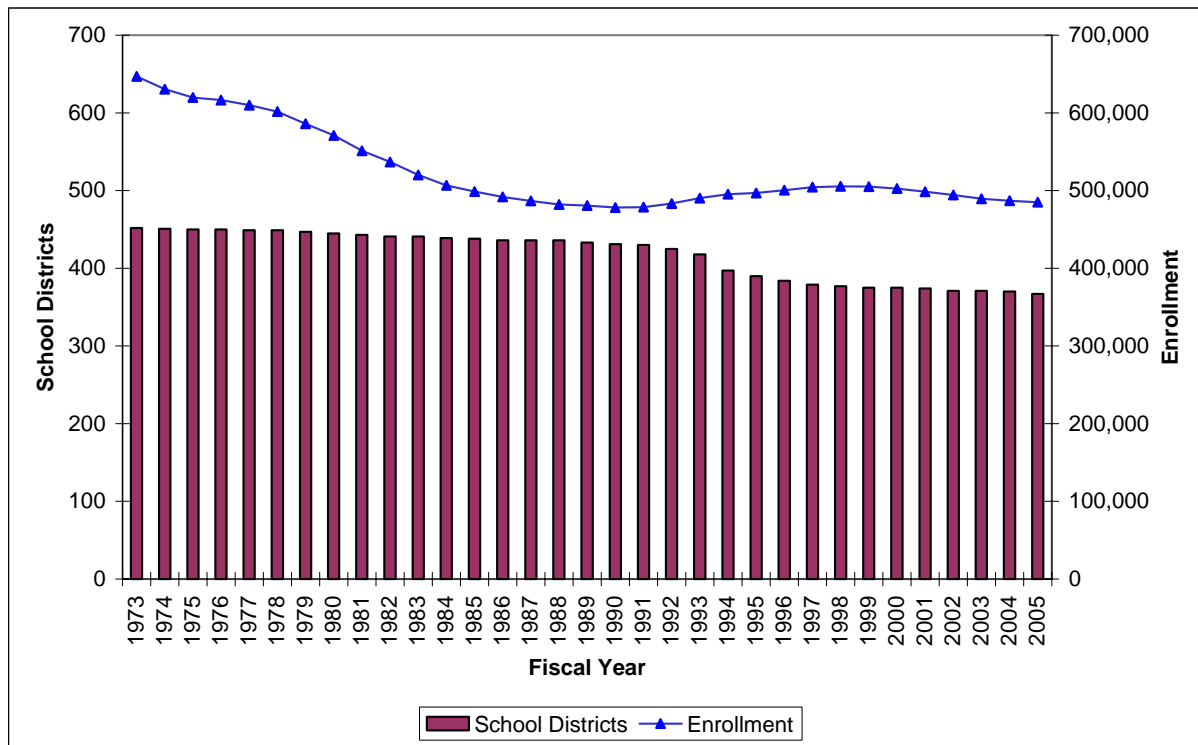
School District Consolidation

The State offers local school districts two financial incentives for consolidation – (1) supplemental weightings which increase the schools’ budget enrollment resulting in a budget increase for the school and (2) a reduction in school property taxes offset by an increase in State Foundation Aid. Supplemental weighting incentives are offered to school districts that share teachers, students, and whole grades. In addition, these districts must develop a plan for consolidation. The reduction in property taxes is received after the merger or dissolution has occurred. School districts with fewer than 600 students that merge or dissolve receive a \$1.00 reduction in the Uniform Levy property tax rate; the reduction is phased out over the three years following the consolidation. If the school district receiving the students is larger than 600 students, it receives a decreased incentive. Both of these incentives have been modified over the years since their inception, and the supplemental weighting incentive is scheduled to end. Under the current Code of Iowa, there is a deadline of July 1, 2006, for achieving consolidation through reorganization or dissolution for those districts receiving the supplemental weighting.

Since 1973, both enrollment and the number of school districts have decreased. (See **Table 1.**) The number of school districts has declined from 452 in FY 1973 to 367 in FY 2005, a decrease of 85 (18.8%) while at the same time, enrollment declined from 647,000 to 485,000, a decrease of 162,000 (25.0%) students.

Table 1

Enrollment and Number of School Districts

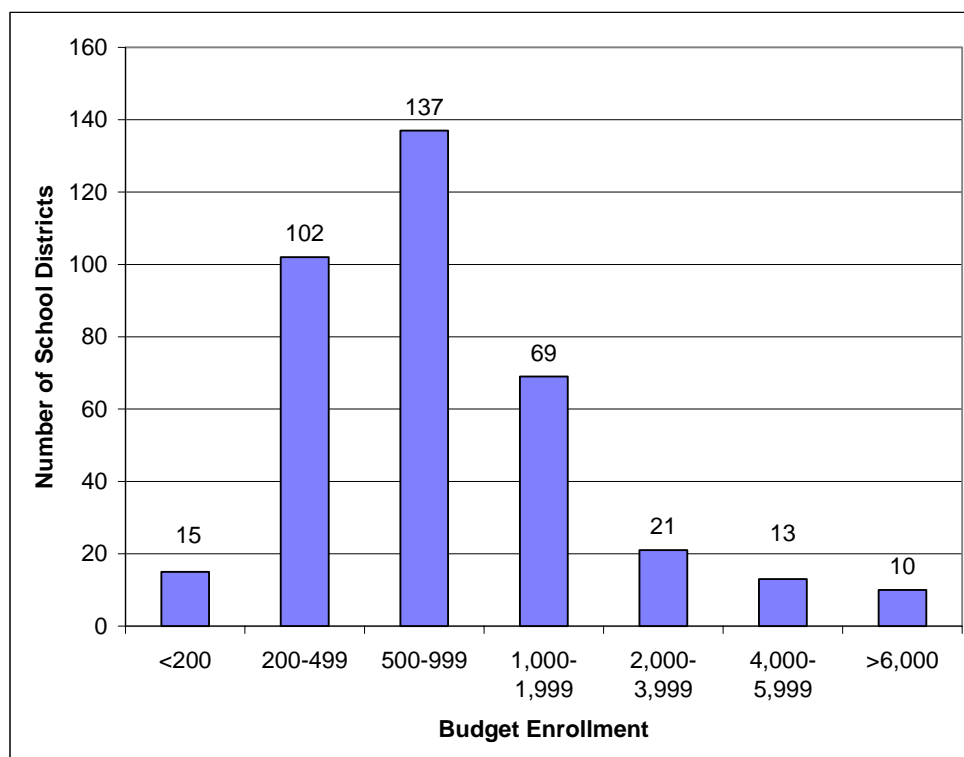


Education Issues

Table 2 shows the FY 2005 distribution of school districts by enrollment. There are 15 school districts with fewer than 200 students. The Diagonal School District is the smallest with a budget enrollment of 97 students. The Des Moines School District is the largest with a budget enrollment of 32,000 students, followed by Cedar Rapids with 18,000 students.

Table 2

Number of School Districts by Enrollment Level – FY 2005

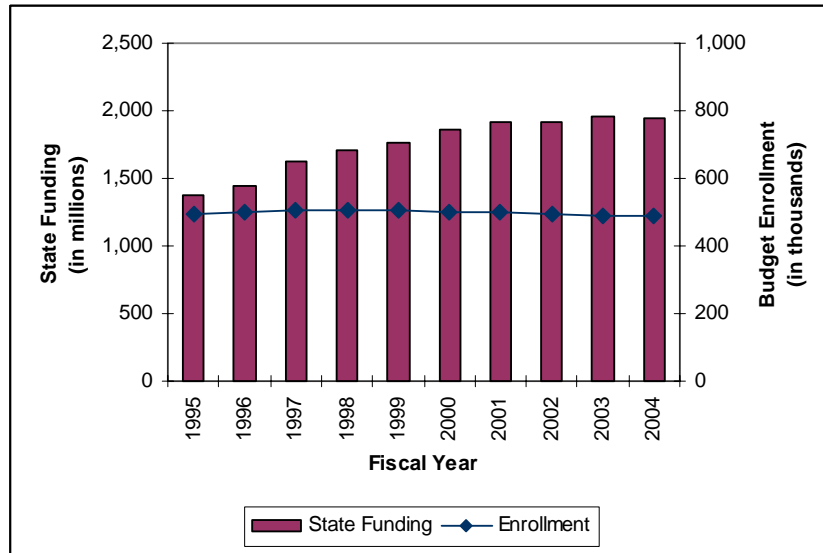


Some of the factors affecting consolidation of school districts include the effect of school size on course offerings, impact on the community, transportation costs for larger districts, different debt structures of the merging school districts, property tax differences between the districts, and potential savings from reduced administration and overhead.

Comparison of State Funding and Enrollment

Tables 3, 4, and 5 compare enrollment and State funding from FY 1995 through FY 2004 for K-12 school districts, community colleges, and Regents Universities.

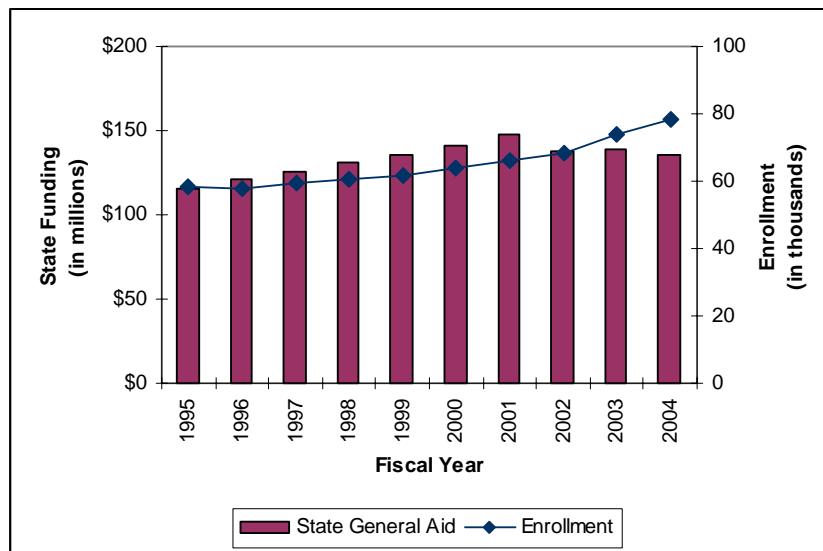
Table 3
K-12 State Funding and Enrollment



Notes:

1. Funding includes General Fund standing appropriations and direct appropriations included in the Education Appropriations Acts for K-12 operations and programs.
2. State funding is from the General Fund, except when supplanted as noted below.
 - a. FY 2002 funding includes \$44.9 million from non-General Fund appropriations.
 - b. FY 2003 funding includes \$68.9 million from non-General Fund appropriations.

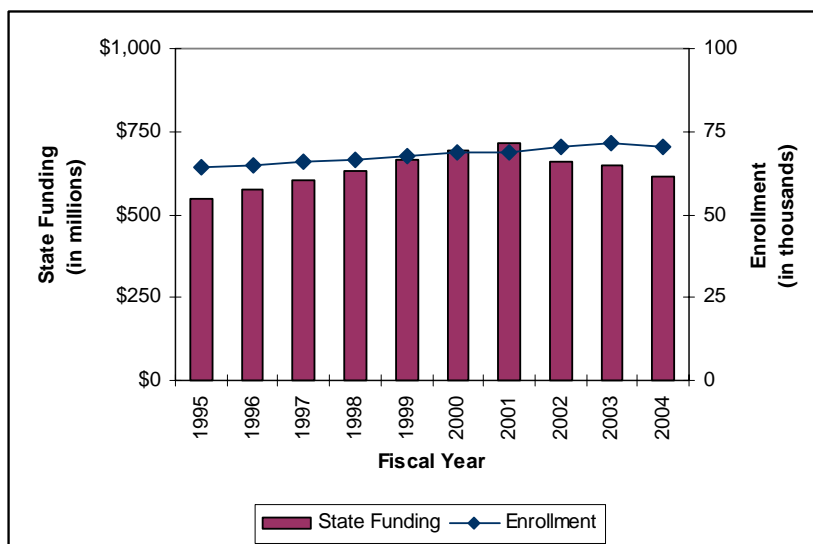
Table 4
Community College State Funding and Enrollment



Notes:

1. Enrollments include resident and non-resident students.
2. Funding includes only the annual General Aid appropriation.

Table 5
Regents State Funding and Enrollment



Notes:

1. Enrollments include resident and non-resident students.
2. Funding includes all appropriations under the Education Appropriations Subcommittee's purview. It does not include funding for economic development or capitals programs.
3. State funding is from the General Fund, except when supplanted as noted below.
 - c. FY 2002 funding includes \$600,000 from non-General Fund appropriations.
 - d. FY 2003 funding includes \$26.0 million in non-General Fund appropriations.
 - e. FY 2004 funding includes \$10.4 million in non-General Fund appropriations.

Enrollment Changes

From FY 1995 through FY 2004, enrollments and funding have changed as follows:

- K-12 enrollments decreased by 2.0%, while State funding increased by 40.4%.
- Community college enrollments increased by 33.8%, while State funding increased by 17.6%.
- Regents enrollments increased by 9.9%, while State funding increased by 11.4%.

Per-Pupil Funding

Table 6 compares State per-pupil funding for K-12 school districts, community colleges, and the Regents universities from FY 1995 through FY 2004.

Table 6
State Funding Per Pupil

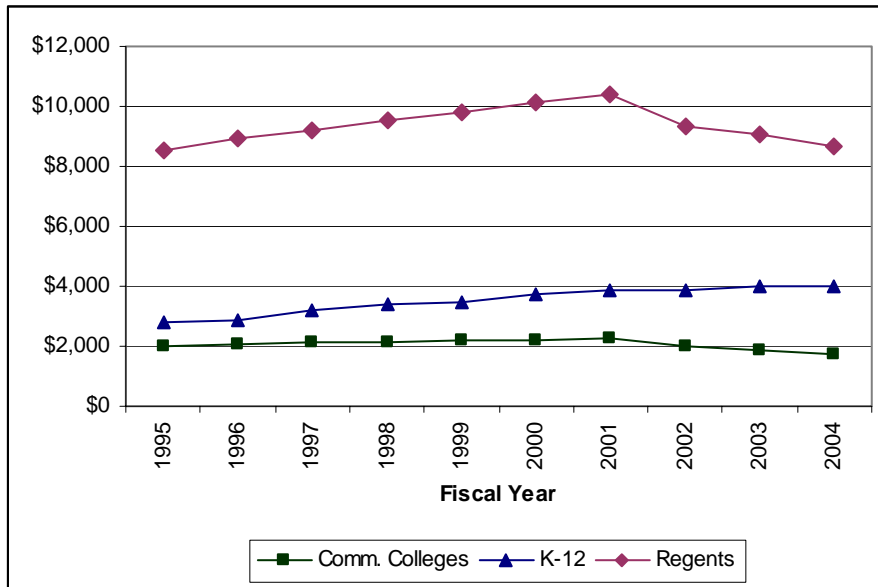


Table 7
Change in State Per-Pupil Funding by Entity
FY 1995 through FY 2004

	FY 1995	FY 2004	% Difference
K-12	2,779	3,981	43.3%
Community Colleges	1,973	1,734	-12.1%
Regents	8,550	8,673	1.4%

Change in Per-Pupil Funding

Table 7 compares per-pupil funding by entity. State funding per pupil for K-12 school districts increased from \$2,779 in FY 1995 to \$3,981 in FY 2004, which is a ten-year increase of 43.3%. Community college per-pupil funding increased from \$1,973 in FY 1995 to a high of \$2,422 in FY 2001, and decreased to \$1,734 in FY 2004. The ten-year change was a decrease of 12.1%. For Regents, per-pupil funding increased from \$8,550 in FY 1995 to a high of \$10,378 in FY 2001, and decreased to \$8,673 in FY 2004. The ten-year change was an increase of 1.4%.

Community College Property Tax Revenue

Over the last five years, growth in community college revenue from the general property tax levy has lagged behind the growth in enrollment. Combined with decreases in State aid, this has resulted in major tuition increases. As a percentage of total unrestricted

Education Issues

revenue, property tax revenue was below 6.0% in FY 2003, the last year reported, while revenue from tuition and fees surpassed State aid as the largest source of revenue at 45.0%. Nationally, Iowa ranks among the lowest states in local funding as a percentage of total community college revenue.

From FY 2000 to FY 2005, statewide community college revenue from the 20.25 cent general levy increased \$1.1 million (5.9%). During that same period, enrollment increased by 18,000 students (28.2%) and State general aid decreased \$1.8 million (1.3%). **Table 8** shows that these figures represent a significant shift in trends compared to the previous five-year period.

Table 8
Community College Revenue and Enrollment
Five-Year Rates of Change
FY 1995-FY 2000 and FY 2000-FY 2005

	FY 2005 v. FY 2000		FY 2000 v. FY 1995	
		%		%
General Levy	\$ 1,058,607	5.87%	\$ 2,609,392	16.93%
State Aid	\$ -1,798,159	-1.27%	\$ 26,106,686	22.61%
Enrollment	18,010	28.23%	5,279	9.02%

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ENVIRONMENTAL INITIATIVES

Destination Park Development

The State Destination Park will be located in the Rathbun Lake and Honey Creek State Park. Over 1,600 acres are available for park development. Employees of the Department of Natural Resources (DNR) are working in conjunction with a local steering committee that includes the Chariton Valley Resource Conservation and Development Board, the United States Army Corps of Engineers, and Rathbun Lake Resort, Inc. The following summarizes funding requests and activities:

- ▶ The Department received \$3.0 million from the Healthy Iowans Tobacco Trust Fund in FY 2004 that was used for the following:
 - ◆ Grading and surfacing the construction area for the main road.
 - ◆ Construction of two miles of hiking trails.
 - ◆ Design of the main wastewater system.
 - ◆ Acquired land for the Sedan Bottoms Wildlife Area located adjacent to the park.
- ▶ The Department received \$500,000 from the Rebuild Iowa Infrastructure Fund (RIIF) for FY 2005 for the following:
 - ◆ Construction of the wastewater system and electrical system.
 - ◆ Construction of the Conference Center.
 - ◆ Construction of 15 to 20 family cabins.
 - ◆ Construction of the Equestrian Center.
 - ◆ Design of the lodge and aquatic center.
 - ◆ Design of the golf course.
- ▶ The Department is requesting \$500,000 from the RIIF for FY 2006 to maintain the current level of funding compared to estimated FY 2005. The planned projects include the following:
 - ◆ Construction of the lodge and aquatic center.
 - ◆ Construction of an additional 15 to 20 family cabins.
 - ◆ Construction of the campgrounds.
 - ◆ Construction of picnic shelters.
 - ◆ Start-up of golf course construction.



Environmental Issues

The following depicts the conceptual design of the State Destination Park:



Source: Department of Natural Resources

Help Us Stop Hunger (HUSH) Program

The Help Us Stop Hunger (HUSH) Program began during the 2003 hunting season to reduce the number of deer in Iowa and to provide food to the Iowa Food Bank. The Program allows a licensed hunter to donate a harvested deer to a participating meat locker that processes the deer and donates the meat to the Food Bank of Iowa. The Program is funded with donations from hunters, businesses, and other organizations. The Department's goal was to process 1,000 harvested deer, however, there were approximately 1,600 harvested deer donated. The Department paid for the additional processing costs. For FY 2005, the General Assembly appropriated \$17,000 for the Program. Total Program costs for FY 2004 were approximately \$80,000.

Environment First Fund Programs

The Environment First Fund was created by the 2000 General Assembly in SF 2543 (FY 2001 Infrastructure Appropriations Act) to provide funding for environmental programs. A standing appropriation of \$35.0 million was established for the Fund with funding from the Rebuild Iowa Infrastructure Fund (RIIF). The Transportation, Infrastructure, and Capitals Appropriations Subcommittee makes recommendations to the General Assembly regarding programs that should receive appropriations from the Fund. The \$20.6 million for FY 2005 included:

- Resource Enhancement and Protection (REAP) Fund – \$11.0 million.
- Marine Fuel Tax Capitals – \$2.3 million.
- Lake Restoration Program – \$1.0 million.
- Water Quality Monitoring Program – \$3.0 million.



- Geographic Information System – \$195,000.
- Keepers of the Land Volunteer Program – \$100,000.
- State Park Operations and Maintenance – \$2.0 million.
- Air Quality Monitoring – \$500,000.
- Water Quality Protection Fund – \$500,000.



The Department of Natural Resources has requested \$20.6 million for program funding from the Environment First Fund for FY 2006. This maintains the current level of funding compared to estimated FY 2005.

Department Request Funding Summary

The following table details the FY 2006 DNR budget requests from the RIIF and the Environment First Fund:

Budget Unit	Funding Source	Department Request (in millions)	Change in Funding
Destination Park	Rebuild Iowa Infrastructure Fund (RIIF)	\$ 0.5	Maintains Funding
REAP	Environment First Fund	11.0	Maintains Funding
Lake Restoration Program	Environment First Fund	1.0	Maintains Funding
Water Quality Monitoring	Environment First Fund	3.0	Maintains Funding
Marine Fuel Tax Capitals	Environment First Fund	2.3	Maintains Funding
State Parks	Environment First Fund	2.0	Maintains Funding
Air Quality Protection	Environment First Fund	0.5	Maintains Funding
Water Quality Protection	Environment First Fund	0.5	Maintains Funding
Geographic Info. System	Environment First Fund	0.2	Maintains Funding
Keepers of the Land	Environment First Fund	0.1	Maintains Funding
Total Requests		\$ 20.6	Maintains Funding

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LEGISLATIVE FISCAL COMMITTEE MAJOR ISSUES

The Legislative Fiscal Committee is a 10-member Committee of the Legislative Council. The Committee's duties include:

- Gathering information to aid the General Assembly in properly appropriating money for the functions of government.
- Directing the administration of performance audits and visitations.
- Studying the operation of State government.
- Making recommendations regarding government reorganization to the General Assembly (Section 2.46, Code of Iowa).
- Conducts studies and reviews issues as assigned by the Legislative Council.

During the 2004 Legislative Interim, the Fiscal Committee met four times. Holly Lyons, Director of the Fiscal Services Division of the Legislative Services Agency (LSA) and Jeff Robinson, LSA, provided regular revenue updates, and the Committee also received notices of appropriations transfers and lease purchases. The following FY 2004 appropriations transfers were received:

Dollars Transferred	Department/Division Transferred To	Dollars Transferred	Department/Division Transferred From
\$ 13,534,741	Department of Management		Department of Human Services
1,665,259	Salary Adjustment Fund	\$ 15,200,000	Medical Assistance (Medicaid)
<u>\$ 15,200,000</u>	Judicial Branch-Gen. Oper.		
	Total		
\$ 50,000	Department of Public Health		Department of Public Health
100,000	Adult Wellness	\$ 174,177	Chronic Conditions
2,452	Child and Adoles. Well.	41,389	Community Capacity
88,755	Infectious Disease	<u>89,000</u>	Environmental Hazards
63,359	Public Protection	\$ 304,566	Total
<u>\$ 304,566</u>	Resource Management		
	Total		
\$ 12,882	Department of Human Rights		Department of Human Rights
	Status of African Americans	\$ 12,882	Central Administration
\$ 185,000	College Aid Commission		College Aid Commission
60,000	Tuition Grant Program	\$ 245,000	Scholarship Grants
<u>\$ 245,000</u>	Vocational Tech. Grant Program		
	Total		Total

Legislative Fiscal Committee Major Issues

Dollars Transferred	Department/Division Transferred To	Dollars Transferred	Department/Division Transferred From
\$ 1,522,019	Department of Public Safety All Divisions	\$ 3,225 688,361 590,914 37,933 52,061 <u>149,525</u> \$ 1,522,019	Various Agencies Commerce Corrections Human Services Natural Resources Revenue Veterans Home Total
\$ 402,820	Department of Transportation Workers' Compensation	\$ 236,113 166,707 <u>\$ 402,820</u>	Department of Transportation Indirect Cost Recovery Personnel Reimbursement Total
\$ 12,000	Department of Revenue Cigarette Stamp Printing	\$ 12,000	Department of Revenue Operations
\$ 65,000 <u>50,000</u> \$ 115,000	Department of Corrections Eighth Judicial District Second Judicial District Total	\$ 65,000 <u>50,000</u> \$ 115,000	Department of Corrections Clarinda Corr. Institution Fort Dodge Corr. Institution Total
\$ 1,966,936 <u>1,966,936</u> \$ 3,933,872	Department of Human Services Family Investment Program Child & Family Services Total	\$ 1,966,936 <u>1,966,936</u> \$ 3,933,872	Department of Human Services Child & Family Services Family Investment Program Total
\$ 90,000 625,000 <u>\$ 715,000</u>	Department of Human Services State Supplementary Assistance MI/MR/DD State Cases Total	\$ 625,000 40,000 <u>50,000</u> \$ 715,000	Department of Human Services Medical Assistance Volunteers Health Ins. Premium Payment Total
\$ 27,000	Governor's Office Terrace Hill Quarters	\$ 27,000	Governor's Office General Office
\$ 75,000	Dept. of Administrative Services Operations	\$ 25,714 <u>49,286</u> \$ 75,000	Various Agencies Admin. Services, Deferred Comp Human Services, State Cases Total
\$ 150,000	Law Enforcement Academy Operations	\$ 150,000	Department of Public Safety State Patrol
\$ 2,846,413	Inspections and Appeals Indigent Defense	\$ 61,495 849,012 1,052,004 <u>883,902</u> \$ 2,846,413	Various Agencies Parole Board Public Safety Commerce Human Services Total

Legislative Fiscal Committee Major Issues

The following FY 2005 appropriations transfers were received as of November 1, 2004:

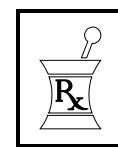
Dollars Transferred	Department/Division Transferred To	Dollars Transferred	Department/Division Transferred From
\$ 15,808	Department of Public Health Resource Management	\$ 1,201	Department of Public Health Addictive Disorders
		42	Child and Adoles. Wellness
		521	Chronic Conditions
		3,060	Community Capacity
		1,664	Infectious Disease
		100	Injuries
		9,220	Public Protection
		<u>\$ 15,808</u>	Total
\$ 445,608	Administrative Services Admin. Services Account	\$ 445,608	Administrative Services Distribution Account
\$ 42,072	College Aid Commission Vocation-Tech. Tuition Grant	\$ 42,702	College Aid Commission ACE Program
\$ 162,237	Administrative Services Admin. Services Account	\$ 162,237	Administrative Services Distribution Account

The following lease-purchase acquisitions were received:

Lease-Purchase Principal	Department	Information
\$490,000	Department of Human Services, Glenwood Resource Center	Replace boilers, chillers and dryers
\$112,200	Dept. of Corrections, First Judicial District	Vehicle Replacement
\$110,000	Department of Revenue	Replace desk top computers

The Committee also received periodic updates on:

- Healthy and Well Kids in Iowa (*hawk-i*) Program
- Medical Assistance Program
- Child and Family Services and Adoption Subsidy Expenditures within the Department of Human Services



Other Agenda Items

- FY 2004 Ending Balance – Review of the FY 2004 ending balance of the General Fund.
- FY 2004 and estimated FY 2005 balances of various funds – Discussion included



Legislative Fiscal Committee Major Issues

the Endowment for Iowa's Health Account, the Restricted Capital Fund, the Healthy Iowans Tobacco Trust (HITT) Fund, the Rebuild Iowa Infrastructure Fund (RIIF), the Environment First Fund, and the Senior Living Trust Fund.

- The Governor's item vetoes of FY 2005 legislation and lay-off plans.
- The initiation of on-line benefit programming for State employees and other technology options.
- Status of and challenges relating to transition from the Iowa Financial Accounting System to the Integration Information for Iowa (I/3) System.
- Planned process for the FY 2006 Governor's budget recommendations.
- Prison population and costs.
- Competitive bidding process and sole source contracting provisions.
- Technology Transfer Development and Commercialization within the Board of Regents institutions.
- Early Out Retirement participants and reemployment of certain individuals.
- The status and timeframes for the completion of the State Capitol restoration.
- Medical Assistance Program – In addition to monthly updates, discussion of the State impact of the federal prescription drug coverage within the Medicare Program, impact of HF 619 (Medicaid Cost Containment Act), possible loss of revenue from Intergovernmental Transfers (IGTs), and estimated FY 2005 supplemental appropriation need.
- The FY 2006 built-in expenditures and estimated revenues.
- Tour of the Iowa State University Howe Engineering Building.



Materials distributed to the Committee related to these topics are maintained at the Fiscal Services Division office and are available upon request. The agenda, minutes, and handouts for each meeting can be found on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb/committee/fiscalcomm/fiscalco.htm>.

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GOVERNMENT OVERSIGHT COMMITTEE MAJOR ISSUES

During the 2002 Legislative Session, the General Assembly passed SF 2325 (Oversight and Government Reform Act) creating the Legislative Oversight Committee as a permanent Committee of the Legislative Council. Formerly the Committee had served as a combined appropriations subcommittee during the legislative session and a committee to review government programs and regulations administered or enforced by State government during the interim periods.

During the 2004 Interim, the Committee met six times and reviewed the following major areas:

Major Issues Reviewed



- ▶ Reinvention of Government and Executive Branch contracts with the Public Strategies Group (PSG) during FY 2004 and new addendums between PSG and individual State departments for FY 2005. The Committee committed many interim meeting agendas to receiving updates and monitoring the processes utilized under the master contract.
- ▶ Charter Agency agreements between the Governor's Office and the Charter Agencies for FY 2004 and FY 2005. The Committee received updates from representatives of all Charter Agencies regarding efficiencies and savings achieved.
- ▶ Iowa Values Fund. The Committee requested testimony from the Iowa Department of Economic Development regarding the status of selecting projects, concerns with funding the amounts awarded, and the future of the Fund. During the 2004 Extraordinary Session, SF 2311 (Economic Stimulus Appropriation Act) provided funding for these projects. The Committee will continue to monitor this issue during the 2005 Legislative Session.
- ▶ Education was a major focus by the Committee during the interim.
 - ◆ The Department of Education presented information on the federal No Child Left Behind Act and the status of programs and funding in Iowa.
 - ◆ Apple Computer, Inc. provided an overview regarding laptop computer programs for K-12 in Iowa and experiences in other states.
 - ◆ The Department of Management provided information regarding certifying local government and school districts annual budgets.

- ▶ Current and future State liquor operations were discussed with State staff from the Alcoholic Beverages Division, private warehouse and distribution companies and small liquor store owners. The Committee requested testimony from all interested parties to determine what role State government should have in the future. A Subcommittee was established to make recommendations to the full Committee. The Committee will continue to monitor the State liquor operations during the 2005 Legislative Session.
- ▶ The role of State government regarding the ongoing ownership and maintenance costs associated with the Iowa Communications Network (ICN). The Committee appointed a Subcommittee to study and make recommendations to the full Committee. Staff from the ICN made presentations to the Committee comparing Iowa's network with other states and answering questions.
- ▶ The Residential Treatment Services (RTS) billing audits by field staff from the Department of Human Services (DHS) and the impacts on recipients, providers of services, and State funding resources. The Committee heard testimony from the DHS and providers of RTS at the September meeting. The main issues relate to the loss of federal funds by the State, and the negative and at times punitive impacts of federal and State rules on providers, thereby affecting services to recipients. The Auditor of State has been requested to review the issues and make recommendations to the Committee.
- ▶ The authorization of the Department of Administrative Services (DAS) during the 2003 Legislative Session. The Committee received updates during 2004 regarding the impacts of the new Administrative Services Department on Executive Branch agencies and in-State contractors of both material and services. The Committee will continue to monitor operations at DAS during the 2005 Legislative Session.
- ▶ Reports mandated by the 80th General Assembly. Some reports required in legislation passed during the 2003 and 2004 Legislative Session did not specify a responsible party to receive the reports. The Co-Chairpersons contacted the Legislative Council to request that the Oversight Committee be the recipient of those reports. The Committee will request this authority from the Legislative Council for 2005 as well.
- ▶ The implementation of the Iowa Integrated Information (I/3) Project. The Committee requested periodic updates by staff from the Department of Administrative Services, the Department of Management, and the software provider, through the interim, regarding progress being made and problems incurred with development and implementation. The Committee was very concerned about established timelines, training for users, handling user complaints, and meeting the State's expectations. The Committee will continue to monitor this project during the 2005 Legislative Session.

Legislative Oversight Committee Major Issues

- The oversight of Continuing Care Retirement Communities pursuant to Chapter 523D, Code of Iowa, and the federal General Accounting Office report regarding inspections of nursing facilities in Iowa. The Committee expressed concerns that the safety of all residents in these facilities be the ultimate goal, and that facilities that can care for the residents at different levels of need be given flexibility to do so without restricting a resident or families right to choose.
- Subcommittees were established and met during the interim for each of the following topics: Fleet Management of vehicles in State Government, State Liquor Operations, Competitive Bidding Practices by State-owned entities, and issues the State Ombudsman identified as needing legislative review. Based on the findings from these Subcommittees, further legislative actions may be recommended by the Oversight Committee to the Legislative Council for the 2005 Legislative Session.
- At the December 2004 meeting, the Committee approved a report to the Legislative Council on Government Oversight Committee activities during the 2004 Legislative Session and the 2004 interim. The report provides topics the Committee intends to review in 2005. The report includes:
 - ✦ Motions approved by the Committee.
 - ✦ A listing of topics reviewed during the 2004 Government Oversight Committee meetings.
 - ✦ A listing of topics recommended by the Committee for review during 2005.
 - ✦ A summary of required reports assigned to the Committee as a result of the 2003 and 2004 Legislative Session.

Materials distributed to the Committee related to these topics are maintained at the Legislative Services Agency (LSA) office and are available upon request. Additionally, the agenda, minutes, and handouts for each meeting can be found on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb/committee/oversight/oversight.htm>

Departments and Programs Selected for Review in 2005

The Oversight Committee has selected the following topics for review during 2005, and identified some that will be discussed specifically during the 2005 Legislative Session:

- To continue to study the development of the Department of Administrative Services (DAS) as a competitive option for State services and the methods used to bill for the services DAS provides to State departments.
- To continue the review of the competitive bidding process by the DAS, including accessibility of information on bids to Iowa companies and implications on local governments.

- To continue the review of the funding and projects for economic development purposes.
- To continue the review of the I/3 Project implementation.
- Continue to review the Veterans Trust Fund. Follow-up and make recommendations for possible source of funding for the Fund.
- Review the role of Iowa Prison Industries to provide products and services in Iowa. What are the requirements for State agencies regarding utilization of Prison Industries and does the Legislature need to strengthen the requirement in order to provide additional work for treatment, vocational education, and rehabilitation of inmates.



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Estimated General Fund Expenditure Increases and Decreases

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 that increases or decreases compared to the prior year. Built-in increases or decreases may be changed by enacted legislation. An **anticipated increase or decrease** is based on prior obligation or action and requires legislative action.

For FY 2006, the Legislative Services Agency (LSA) is currently projecting \$565.6 million in built-in and anticipated increases and decreases. The FY 2006 projection includes \$465.0 million in General Fund built-in increases and decreases and \$100.6 million in anticipated increases and decreases. The following tables summarize the projected built-in and anticipated changes.

Table 1
Projected FY 2006 Incremental Built-in General Fund Expenditures

(Dollars in Millions)

K-12 School Foundation Aid (FY 2006 Allowable Growth)	\$	105.6
Education - College Student Aid Work Study Program		2.8
Homestead Tax Credit		129.4
Agricultural Land Tax Credit		39.1
Elderly and Disabled Credit		21.7
Franchise Tax Appropriation for Community Attraction and Tourism Program		7.0
Livestock Producer Tax Credit		0.2
Military Service Tax Credit		2.5
Human Services - Medical Assistance		185.2
Human Services - Medical Contracts		5.0
Human Services - State Children's Health Insurance Program - hawk-i		2.7
Human Services - Mental Health Growth Factor		4.8
Education - Early Intervention Block Grant		-29.3
Educational Excellence		1.4
Education - Child Development (At-Risk Early Childhood Education)		1.3
School-to-Career Program		0.5
State Appeal Board Claims		3.0
Appropriation for 1.0% Expenditure Limitation Requirement		-47.5
Appropriation to Endowment for Healthy Iowans		29.6
Total	\$	465.0

Estimated General Fund Expenditures Increases and Decreases

Table 2
Projected FY 2006 Incremental Anticipated General Fund Expenditures
(Dollars in Millions)

FY 2006 Collective Bargaining Salary Costs	\$	77.0
Education - Teacher Quality/Student Achievement Act		2.9
Inspections and Appeals - Indigent Defense & Public Defender		3.4
Judicial Branch - Retirement Fund Contribution		2.9
Judicial Branch - New Ongoing Building Expense		0.3
Human Services - Woodward and Glenwood State Resource Centers		6.6
Human Services - Temporary Assistance for Needy Families Programs		4.3
Human Services - Child and Family Services		2.2
Human Services - Sexual Predators Civil Commitment and Treatment		1.0
Total	\$	100.6
TOTAL PROJECTED EXPENDITURES	\$	565.6

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

- ▶ Type of appropriation:
 - ◆ Standing unlimited appropriation.
 - ◆ Standing limited appropriation.
 - ◆ Regular appropriation.
- ▶ Description of the program or budget unit.
- ▶ Factors resulting in the increases or decreases.
- ▶ Dollar amount of the increase under current law as projected by the LSA.
- ▶ Options to eliminate or reduce the built-in increase.
- ▶ Estimated potential General Fund savings from the options identified that will eliminate or reduce the built-in increase.

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FEDERAL ECONOMIC STIMULUS AND JOBS HOLDING FUND

Senate File 2311 (Economic Stimulus Appropriations Act) passed during the Special Session on September 7, 2004, created the Federal Economic Stimulus and Jobs Holding Fund and deposited the proceeds from the 2003 Federal Jobs and Growth Tax Relief Reconciliation Act into the Fund. The Act also appropriated a total of \$100.0 million from the Fund to economic development programs previously funded by the Grow Iowa Values Fund. The appropriations took effect upon enactment and are retroactively applicable to July 1, 2003. The following table provides the appropriations made to the various programs.



	FY 2005
Strategic Marketing	\$ 6,782,949
Financial Assistance & Incentives	61,045,652
Targeted State Parks	475,806
Loan Guarantee Fund	5,728,402
Regents & Private Inst.	10,058,162
Workforce Training	3,848,668
Job Retention Program	1,000,000
Endow Iowa Grants	155,303
Endow Iowa Tax Credits	155,303
Cash Reserve Fund	10,749,754
Total	<u>\$ 99,999,999</u>

The original Grow Iowa Values Fund appropriations in HF 683 (Grow Iowa Values Fund Appropriations Act, approved in the 2003 Legislative Session) were repealed by SF 2311. In June, an Iowa Supreme Court ruling had invalidated provisions of the Grow Iowa Values Fund legislation. These appropriations totaled \$277.5 million from FY 2004 through FY 2007.

Strategic Marketing

The Act required the majority of this appropriation be expended pursuant to existing contracts or approved projects. The Strategic Marketing Program was established to market Iowa as a lifestyle, increase the State's population and wealth, and expand and stimulate the State's economy. The Department of Economic Development (DED) is currently in the process of implementing the plan and is using the former Strategic Marketing Board in an advisory capacity.

Financial Assistance and Incentives to Business

The Act required \$36.9 million of the appropriation to be expended pursuant to existing contracts or approved projects. Currently, there are 36 existing contracts or approved projects that will receive funding. All 36 are expected to receive some funding for the projects' first and second year. The projects are located in 22 counties across the State and include: Polk (5), Sioux (3), Dubuque (3), Story (3), Clinton (2), Crawford (2), Marshall (2), Pottawattamie (2), Linn, Johnson, Webster, Plymouth, Cerro Gordo,

Hardin, Cherokee, Delaware, Carroll, Lee, Bremer, Scott, Hamilton, and Muscatine. In addition to the appropriation listed above, SF 2311 allows the Department of Economic Development to retain and expend approximately \$700,000 in interest earnings from the Fund for incentives and assistance.

Targeted State Parks

The Department of Natural Resources (DNR), in cooperation with the DED, developed a plan for the improvement of State and destination parks for economic development purposes. Three projects will be funded by the DNR and will require local matching funds, including:

- Brushy Creek State Recreation Area: \$225,000 for construction of camping cabins.
- Nine Eagles Park: \$113,000 for a lodge shelter.
- Stone State Park: \$138,000 for construction of a new shower building, two camping cabins, and for upgrading the electrical capacity of the Park.



Loan and Credit Guarantee

The purpose of the Program is to assist qualified businesses that employ up to 200 persons. The Fund provides for the following:

- Payment of claims pursuant to loan and credit guarantee agreements.
- Payment of the DED's administrative expenses for the Program.
- The purchase or buyout of liens, mortgages, or security interests.
- The purchase of insurance to cover the default of loans through the Program.

Currently, the DED has made two awards for \$1.0 million each to companies called Fakespace Systems and KAM Inc. Fakespace Systems manufactures/installs virtual reality and advanced interactive systems. KAM Inc. is a farm equipment wholesale distribution company.

Regents and Private Institutions Financial Assistance

Of the \$10.1 million appropriated to the Regents, \$4.0 million is allocated to the University of Iowa, \$4.0 million to Iowa State University, and \$2.0 million to the University of Northern Iowa. The appropriation may be expended for:

Federal Economic Stimulus and Jobs Holding Fund

- Multi-use goods manufacturing processes approved by the federal Food and Drug Administration and protein purification facilities for plant, animal, and chemical manufactured proteins.
- Accelerating new business creation.
- Business parks.
- Business Incubator facilities.
- Upgrading federal Food and Drug Administration drug approval laboratories in Iowa City to a larger multi-client goods manufacturing processes facility.
- Crop and animal livestock facilities for the growing of transgenic crops and livestock, protein extraction facilities, containment facilities, and bioanalytical, biochemical, chemical, and microbiological support facilities.
- A national center for food safety and security.
- Advanced laboratory space.

Workforce Training and Economic Development Funds

The Act required \$743,000 be expended pursuant to existing contracts or approved projects. Workforce training and economic development funds at each community college will be utilized for the following:

- Accelerated Career Education projects.
- Iowa Job Training projects under Chapter 260F, Code of Iowa.
- Career Academies.
- Programs and courses that provide vocational and technical training.
- Programs for in-service training and retraining.



Senate File 2311 repeals the Code of Iowa section relating to the workforce training and economic development funds on June 30, 2010.

Job Retention Program

The Act allows the DED and community colleges to enter into an agreement to establish a job retention project. The Act appropriated \$1.0 million for this purpose. An agreement must include:

- An investment of at least \$15.0 million by a participating business.
- A statement from the business indicating the business employs either 1,000 employees or more, or at least 4.0% of the county's resident labor force.
- A commitment from the business that it will remain in Iowa and stay open for at least 10 years from the date of the agreement.

Endow Iowa Grants

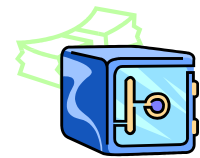
The DED has identified the Iowa Council of Foundations as the lead philanthropic entity to encourage the development of qualified community foundations in the State. The Council will award Endow Iowa Grants to qualified community foundations and affiliate organizations, and ensure that certain specified criteria are met.

Endow Iowa Tax Credits

The Act deposits this appropriation (\$155,000) into the General Fund to partially replace lost General Fund revenue as a result of tax credits already granted. The original Grow Iowa Values Fund legislation allowed a taxpayer to claim a tax credit equal to 20.0% of a taxpayer's endowment gift to a qualified community foundation. The aggregate amount of tax credits authorized was not to exceed \$2.0 million, and an individual taxpayer's award was not to exceed 5.0% of the aggregate. A total of \$1.0 million in Endow Iowa Tax Credits has been issued.

Cash Reserve Fund Appropriation

The appropriation will offset the General Fund reduction as a result of the August 27, 2004, decision of the State Appeals Board. The Board approved funding of \$10.7 million from the General Fund to the Cash Reserve Fund for the payment of claims against the State for funds appropriated from the Grow Iowa Values Fund and obligated prior to the Iowa Supreme Court decision. The \$10.7 million was allocated as follows:



- Strategic Marketing - \$255,000.
- Workforce Training and Economic Development Funds - \$3.0 million.
- Loan and Credit Guarantee Fund - \$10,000.
- Iowa Cultural Trust Fund - \$476,000.
- Financial Assistance and Incentives to Business - \$6.8 million.
- Department of Economic Development Administration and Board Expenses - \$145,000.

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REINVENTION OF GOVERNMENT

Senate File 453 (Reinvention of Government Act) as amended in part by SF 458 (FY 2004 Standings and Miscellaneous Changes Act) provided for various changes in Iowa Statute. Prior to passage of this legislation, the Governor contracted with the Public Strategies Group (PSG) for creation of efficiency concepts and assistance for affected entities and service areas.



On September 1, 2002, a Master Agreement for Government Reinvention and Project Services was signed by the Director of the Department of Management and Chief Operating Officer of the Public Strategies Group (PSG).

The State negotiated a funding arrangement with the PSG. The PSG served as Reinvention Partner by providing coaching and consultation to State managers, conducting certain training, helping strengthen Iowa's performance management systems, and helping departments change various operating procedures.

By December 1, 2003, the PSG and the State entered into two performance-based agreements. One agreement was for the creation of the Department of Administrative (DAS) Services and the application of a set of funding and management principles of DAS services (referred to as entrepreneurial management). That agreement has ended.

The other performance-based project is the Smart Spending project. The focus is identifying where the State could both improve results and spend less money. The project includes three areas: reforming the child welfare system; reforming the relationship between the State and local governments; and creating Charter Agencies. In these three areas, savings from spending less or additional revenues for the General Fund would be generated.

If the Department of Management certified that savings or increased revenues occurred, the PSG was entitled to earn 5.0% of the savings or revenues generated. If measurable improvements in the results produced by those systems were created, the PSG would earn up to an additional 5.0%. The results the PSG are required to produce for each of the three projects are in terms of specific deliverables and specific outcome measures. These are included in the work plans for each project that are available.

One of the components was authorization for Charter Agencies. A summary of Charter Agencies is provided in a separate section of this report. The remaining reinvention initiatives are summarized below.

Study or Action Item	Description	Current Status/Impact
Property and Machinery & Equipment Taxes	Reduction of a net \$60.0 million from FY 2004 appropriations.	The PSG held various meetings on an individual local government basis in addition to Statewide opportunities to improve relations and suggest cost savings efficiencies.
Parking Ticket Fines	Eliminated \$5.00 limit.	Various cities increased the fines. A list as of October 1, 2003, is provided with the web site link provided at the end of this summary.
Iowa Law Enforcement Academy	Permits the Academy to accept individuals not employed as law enforcement officers.	The Academy received one application. The number of inquiries has been minimal.
Budget Protest Requirement	Increases the number of people required for a petition for a city budget protest to 100 compared to ¼ of one percent of those voting for the office of Governor in the previous general election.	It may not be possible to determine the impact of this requirement.
Tax Increment Finance Reporting	Changes Tax Increment Financing reporting mechanism.	Changes have been completed. Instructions to local governments were distributed in early October 2003.
Municipal and County Infractions	Changes penalties for various city and county infraction ordinances.	The Iowa League of Cities does not currently track city infractions. It may not be possible to determine the impact of this requirement.
Electronic Transaction Fees/County Recorders	Permits transaction fees for electronic transactions.	Project manager hired and task force created. The Iowa County Land Record Information System web-based data collection process is underway.
Local Government Leases	Permits local governments to lease with government-related authorities.	The PSG has conducted meetings regarding the development of local government lease opportunities.
Local Government Innovation Fund	\$1.0 million FY 2004 appropriation; seven - member Committee to determine distribution.	Committee was created. Administrative Rules Committee approved administrative rules for implementation of duties. Expenditures were \$973,000 in FY 2004.
Department of Natural Resources Study	Legislative Council Interim Committee to study enforcement and penalty policies relating to regulation of cities and counties.	Meeting held November 12, with testimony regarding landfills.
Capital Asset Charges	\$900,000 of the Department of Administrative Services Rent Fund deposited into the State General Fund for FY 2004.	The Rent Fund was not established and the deposit was not made.

Reinvention of Government

Study or Action Item	Description	Current Status/Impact
Regents Appropriation Reduction	\$17.9 million FY 2004 appropriation reduction to the Board of Regents.	The Board of Regents determined the allocation of the reduction, with \$14.8 million (82.7%) applied to the three general university budget units.
Charter Agencies – Greater detail provided in a separate Section	Departments exchange funding for flexibility.	Six agencies have been designated, with five year commitment: Departments of Human Services, Revenue, Natural Resources, and Corrections; Division of Alcoholic Beverages within the Department of Commerce, and the Iowa Veterans Home.
Insurance Incentives	Permits the Department of Administrative Services to establish an incentive program for State employees to reduce health insurance costs.	The Department of Administrative Services did not establish the program since an incentive program would not be cost effective.
Area Education Agency Task Force	Required to study delivery of media, educational, and special education services.	Governor item vetoed the study requirement, indicating that the Department of Education would be establishing a Special Education Funding Task Force. The Task Force met and submitted recommendations to the State Board of Education.
Child Welfare Redesign	Stakeholder Panel and Redesign Drafts.	Panel created; the PSG staffed various public meetings and retreats and provided three drafts for public comment. Director of the Department of Human Services (DHS) made recommendations December 8, 2003. The DHS developed a Community Care Initiative for serving low-risk children.
	Legislative Committee	Ten member Committee created by Legislative Council. Four meetings were held.
	Appropriation reduction of \$10.0 million from various DHS budget units.	On November 3, 2003, the Director of the DHS announced one-time funds had been identified to replace the appropriation reduction within the Child and Family Services line-item appropriation.
	Training Appropriation of \$1.2 million.	The DHS did not expend the funds in FY 2004. Legislation was enacted to carry forward the funds into FY 2005 for child welfare expenditures.
	Child Welfare Provider Loan Fund appropriation of \$1.0 million.	The DHS did not expend the funds in FY 2004. Legislation was enacted to carry forward the funds into FY 2005 for child welfare expenditures.
Various DHS requirements	Appropriation reduction of \$300,000 for computerized billing efficiencies.	The DHS reduced the FY 2004 appropriation for Medicaid.

Study or Action Item	Description	Current Status/Impact
Various DHS requirements	Child Care Subsidy Payment Electronic Billing System.	A report was submitted in January 2004. The DHS is issuing a RFP for a new information system which is intended to include adaptation to permit electronic billing in the future.
	Medicaid Electronic Payment System.	The DHS has not indicated action on this item. System to be complete July 2005.
	Duplicative mailings and efficiencies.	The DHS has not indicated action on this item. A report due January 2004 was not submitted.
	Medicaid Program Redesign.	The DHS has not indicated action on this item. A report due January 2004 was not submitted.
	Medicaid Appropriation Reduction.	Legislative action occurred in Section 50 of SF 453.
	Hospital Trust Fund appropriation increase.	The FY 2003 revenues were \$27.1 million. The carry forward to FY 2004 was \$8.1 million.
	K-12 funding for the four institutions of the DHS serving children.	The Department of Education incorporated the funding formula for the four institutions.
	Pharmaceutical Settlement Account.	Funds gained from pharmaceutical companies are to be utilized by the DHS for technology. \$682,000 has been received as of October 2004.
Reinvention Payments	Funds for the efficiencies enacted by the General Assembly or provided by the PSG.	The following payments of \$3.2 million have been made to the PSG: <ul style="list-style-type: none"> • \$2.9 million in July 2003 for local government appropriation reductions. • \$78,000 for the Charter Agency enacted appropriation reductions. • \$248,000 for the Child Welfare appropriation reductions.
		Performance/Service Improvement payments have been made to the PSG for a total of \$2.4 million: <ul style="list-style-type: none"> • \$601,000 for satisfaction scores by Charter Agencies. • \$100,000 for the FY 2006 budgeting processes. • \$142,000 for local government outcome measures. • \$1.6 million for monthly payments.
		Total payments to the PSG are not to exceed the \$6.2 million FY 2004 appropriation, the remainder of which was carried forward to FY 2005 by legislation.
Iowa Lottery Authority	Creates the Iowa Lottery as a separate Authority.	Increased General Fund receipts are monitored. Transfers to the General Fund increased \$8.4 million in FY 2004 compared to FY 2003.

Reinvention of Government

Additional Information and Web Sites

The Government Oversight and the Legislative Fiscal Committees have received periodic updates of the summary during the 2003 and 2004 Interims. These documents with greater detail can be found through the following links or via http://staffweb.legis.state.ia.us/lfb/legis_committees.htm.



Archived on the Legislative Web Site:

Legislative Oversight Committee 2003

[September 16 meeting](#)

Legislative Fiscal Committee 2003

[July 29 meeting](#)

[September 23 meeting](#)

[October 21 meeting](#)

Legislative Oversight Committee 2004

[July 21 meeting](#)

[September 9 meeting](#)

In addition, the Charter Agency agreements, communication, and reports from the Public Strategies Group (PSG) can be found at the following link or via <http://www.legis.state.ia.us/>.

[Iowa General Assembly Web Site/Reinvention of Government](#)

The PSG also has information on the web at:

http://iowa.regov.org/local_content.jsp?top=2780

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Public Strategies Group (PSG) Payments as of October 2005

Attachment A

Total Appropriation	\$6,350,000
Less the 2.5% across-the-board reduction plus the 10.0% return of the reduction	142,875
Maximum available funds after net reduction due to across-the-board	<u>\$6,207,125</u>
5.0% of enacted savings: \$3,175,000	
Local Government based upon enacted legislation, 5.0% of \$57.0 million	\$2,850,000
Charter Agencies, 5.0% of \$1.55 million	77,500
Child Welfare, 5.0% of \$10.0 million reduction	247,500
\$500,000 reduced to \$247,500 due to capitation	
Total	<u>\$3,175,000</u>
Performance/Service Improvements Revised Plan: \$3,175,000	
12 monthly payments of \$142,500 in FY 2004	\$1,710,000
Withholding of \$100,000 for June 2004 payment due to delay of Child Welfare deliverables	100,000
Total Expended for 12 payments as of 10-05	<u>\$1,610,000</u>
Charter Agencies Satisfaction Scoring; \$707,200 possible	\$601,120
Child Welfare Outcome Measures: \$686,400 available	\$0
Local Government Outcome Measures \$686,400 available	\$141,570
Purchasing Results Addendum, Planning and Budgeting Process	
August 16 payment	\$75,000
September 15 payment	\$15,000
October 15 payment	<u>\$10,000</u>
Total paid to the PSG by November 1, 2004	<u><u>\$5,627,690</u></u>

Under the Performance/Service Improvements Area, if the remaining monthly payment withholding, the remaining Charter Agency Satisfaction Scoring, the Planning and Budgeting Process, the entire Child Welfare Outcome Measures, and the entire Local Government Outcome Measures are certified as completed, the maximum payments to PSG for Performance/Service Improvements Revised Plan will not be allowed to exceed \$3,032,125.

CHARTER AGENCIES

Charter Agencies were authorized by SF 453 (Reinvention of Government Act) as amended by SF 458 (FY 2004 Standings Appropriations Act) during the 2003 Legislative Session. Charter Agencies are required to reduce expenditures or increase revenues to the General Fund in exchange for negotiated operational efficiencies and flexibilities. The Governor contracted with the private consulting firm of Public Strategies Group (PSG) prior to enactment of the legislation, and the PSG continues to work with the Department of Management and the Charter Agencies to provide ideas for efficiencies.

The designation of a Charter Agency is for a period of five years, terminating as of June 30, 2008. Prior to each fiscal year, or as soon thereafter as possible, the Governor and each director of a designated Charter Agency shall enter into an annual performance agreement which sets forth measurable organization and individual goals for the director in key operational areas of the director's agency.

Charter Agencies are exempted from a number of requirements for other agencies including:

- A Charter Agency is not subject to any limitation relating to the number of or pay grade assigned to its employees, including any limitation on the number of full-time equivalent positions.
- A Charter Agency may waive any personnel rule.
- A Charter Agency may waive any administrative rule regarding procurement, fleet management, printing and copying, or maintenance of buildings and grounds.
- A Charter Agency may waive any administrative rule regarding the acquisition and use of information technology.

The following six agencies signed Charter Agency agreements with the Governor in September 2003, and all but the Department of Natural Resources (DNR) signed agreements in September 2004 (as of November 1, 2004, the DNR agreement is still in negotiation):

- Department of Commerce, Alcoholic Beverages Division
- Department of Corrections
- Department of Human Services
- Department of Natural Resources



Charter Agencies

- Department of Revenue
- Iowa Veterans Home

Each of these agencies committed to reducing General Fund expenditures, increasing General Fund revenues, or a combination of the two for FY 2004 and FY 2005. Additionally, in SF 453 (Reinvention of Government Act), the General Assembly required the Lottery Authority to generate additional revenue for the General Fund of \$8.0 million. (See **Attachment A**)

For FY 2004 the total of departmental commitments was \$14.8 million, including a set aside of \$1.6 million from the Charter Agency Grant Fund. The departments actually generated a total of combined expenditure reduction and increased revenue of \$22.5 million without utilizing the \$1.6 million from the Charter Agency Grant Fund.

All Charter Agencies are able to apply to the Department of Management (DOM) for grant funds from the Charter Agency Grant Fund. The total amount available in the Grant Fund, after the FY 2004 2.5% across-the-board reduction and 0.25% restoration and the restoration of the \$1.6 million to the fund was \$3.0 million. The grants that were given in FY 2004 and those that are pending for FY 2005 will exhaust the available monies in the Fund. (See **Attachment B** for the amounts of the grants and a brief description of the purpose for the grant.)

Related Issues

The General Assembly may wish to consider legislation to clarify the following:

- Under the Master Agreement between DOM and PSG a total of \$6.2 million was available for payments to PSG upon successful completion of various requirements in Addendums to the Master Agreement. **Attachment C** provides a breakdown of payments made to PSG through November 1, 2004.
- The PSG continues to work with the DOM and other State and local agencies to make improvements in government process and performance. Several of the Charter Agencies have signed contract addendums directly with PSG that will allow them to request assistance from PSG in efforts to improve performance or processes and PSG would be paid from either funds saved by the agency or increased revenues the agency would generate. Currently, no projects are underway; however it is possible that some of the projects funded through grants from the Charter Agency Loan Fund may be used to contract with PGS.



Additional information is available from the LSA upon request. The six Charter Agreements for both FY 2004 and FY 2005 and other information related to the implementation of the reinvention of government efforts are posted at: <http://www.legis.state.ia.us/reinvent.html>.

Additionally, the Public Strategies Group (PSG) has created a web site with information on their past and planned activities at http://iowa.regov.org/local_content.jsp?top=2780.

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Charter Agency Savings and Revenue Report

Attachment A

Department	Expenditure Reduction Commitment	Actual Expenditure Reduction (2)	Revenue Increase Commitment	Actual Revenue Increase	Total FY 04 Commitments	Actual FY 04 Total (3)	FY 04 Grants Received	FY 04 Reversions Carried Forward	FY 05 Commitments	FY 05 Grants Pending
Human Services	\$1,000,000	\$1,000,000			\$1,000,000	\$1,000,000		\$1,990,027	\$1,000,000	\$998,000
Corrections	\$500,000	\$500,000			\$500,000	\$500,000		\$204,104	\$500,000	\$210,000
Natural Resources (4)	\$50,000	\$50,000	\$150,000	\$154,665	\$200,000	\$204,665	\$250,000	\$0	\$300,000	\$359,375
Revenue		\$683,073	\$1,000,000	\$633,705	\$1,000,000	\$1,316,778	\$270,000	\$411,506	\$1,500,000	\$190,000
Veterans Home			\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000	\$100,000	\$0	\$1,300,000	\$50,000
Alcoholic Beverages Div.			\$1,250,000	\$9,000,000	\$1,250,000	\$9,788,598	\$300,000	\$20,533	\$5,000,000	\$285,000
Uncommitted Grant Funds (1)	\$1,550,000				\$1,550,000					
Lottery			\$8,000,000	\$8,400,000	\$8,000,000	\$8,400,000	\$920,000	\$2,626,170	\$10,900,000	\$2,092,375
All Departments Total					<u>\$14,800,000</u>	<u>\$22,510,041</u>			<u>\$20,500,000</u>	

Notes:

- (1) \$1,550,000 in grant funds were segregated to help ensure that the project would meet it's \$15.0 million overall commitment.
- (2) The DHS expenditure reduction appears in their FY 04 reverted funds.
- (3) Includes \$788,598 in additional sales tax revenue generated by increased ABD sales.
- (4) DNR and DOM have not yet finalized the DNR agreement for FY 2005 so numbers for FY 2005 are estimates.

Charter Agency Grants

Attachment B

<u>Revenue</u>		<u>Amount</u>		<u>Explanation</u>	
Appropriation		\$3,000,000		SF 453 (FY 2004 Reinvention of Government Act).	
Adjustment		-\$1,550,000			
Across-The-Board Reduction 2.5%		-\$36,250			
Across-The-Board Restoration 0.25%		\$3,625			
Adjustment Restoration		\$1,550,000			
Total Revenue		\$2,967,375			
<u>Expenses</u>		<u>Amount</u>		<u>Explanation</u>	
Veterans Home		\$100,000	Grant	IVH received funds for the purchase of IT hardware (\$20,000), IT software (\$31,050), training (\$5,000), and 55% of 2 FTEs (\$43,950). These funds are being utilized to develop and implement a computerized record system to more efficiently monitor resident health status.	
Department of Natural Resources		\$205,000	Grant	The funds will be used to create a revolving loan fund to seed entrepreneurial programs that seek to become self-sustaining. To build internal capacity for DNR to be able to conduct their own Kaizen processes. To enable a Kaizen process to be conducted with DED and DCA for Section 106 reviews.	
Department of Revenue		\$270,000	Grant	Hire new revenue auditors. Beginning in FY 2005 the positions are funded with a General Fund appropriation.	
Alcoholic Beverages Division		\$300,000	Grant	The funds will be used to develop systems for 1) online liquor licensing; 2) online liquor order entry; 3) inventory management for the liquor warehouse; 4) electronic beer and wine tax reporting.	
Department of Human Services		\$450,000	Grant	Pending	Revenue Maximization for Health Care Services to Low-Income lowans: \$320,000. (The analysis phase is underway and involves a contract to assess opportunities throughout the public sector, including but not limited solely to DHS, to increase federal support of health care services/programs to low-income lowans. Following completion of the assessment, decisions will be made regarding implementation that will require a major portion of this planned use of funding.) IT Evaluation: \$130,000. (The department has started a project to assess the status, safety, security and capability of IT resources to develop recommendations to better align resources with current and projected needs.)
Alcoholic Beverages Division		\$110,000	Grant	Pending	On-line licensing system for use by applicants and local authorities for issuance of new and renewal alcohol beverage licenses. Buys PCs for ABD staff. ITE will develop the software. This project underway; started last year with Charter Agency grant funds.
Alcoholic Beverages Division		\$175,000	Grant	Pending	On-line liquor ordering system; allows retailers to place orders 24/7. Allows staff to be redirected.

Charter Agency Grants

Attachment B

Department of Revenue	\$190,000	Grant	Pending	Generate additional revenue through the use of data on taxes owed, but not collected. Reduce refunds by more accurately calculating refunds. Reduce interest payments via more timely refunds. Fund three examiners; two auditors; and one analyst. Similar to use of FY20004 grant funds.
Veterans Home	\$25,000	Grant	Pending	Sponsor eight IVH nursing assistants to complete local community college LPN program.
Veterans Home	\$25,000	Grant	Pending	Kaizen event on IVH marketing and admissions process.
Department of Corrections	\$35,000	Grant	Pending	Study the feasibility of a centralized pharmacy between DHS and DOC, which could ultimately include IVH and even U of I Hospitals. Think of a big Walgreen's for the State, similar to the current Woodward DHS/DOC warehouse arrangement.
Department of Corrections	\$150,000	Grant	Pending	Fund development of a portion of the ICON system to improve data research capabilities.
Department of Corrections	\$25,000	Grant	Pending	Kaizen event on parole processing time. Board of Parole will be engaged with DOC on this project.
Department of Human Services	\$110,000	Grant	Pending	Institute clinical outcome monitoring and data collection system, beginning at juvenile institutions. Provides a functional assessment for all clients. Then shows what happened. What worked, what did not?
Department of Human Services	\$25,000	Grant	Pending	Kaizen process improvement for [Medicaid?] waiver eligibility improvement. Now the six waiver processes take from 40-110 days, so people remain at higher levels of care longer than necessary, are delayed in being properly placed.
Department of Human Services	\$50,000	Grant	Pending	MHDD Redesign Case Rate Study. Accompanies MHDD redesign. Move to pay Counties with a case rate, instead of the current and archaic formula.
Department of Human Services	\$198,000	Grant	Pending	Internet technology for electronic funds deposit for employers. Allows employers to transmit child support payments directly via e-funds transfer.
Department of Human Services	\$90,000	Grant	Pending	Physician Assistant (PA) residency program in psychiatry for three PAs. Offsets physician shortages in rural areas.
Department of Human Services	\$75,000	Grant	Pending	Seek a federal System of Care grant and establish a Medicaid Home and Community Based Services waiver for community-based alternatives to custody relinquishment for children and families. Some families now have to relinquish custody so their kids can receive mental health services, even though there is no abuse or neglect.
Department of Natural Resources	\$159,375	Grant	Pending	Not specified.
Department of Natural Resources	\$200,000	Grant	Pending	Not specified.
Total Expenses	<u>\$2,967,375</u>			
Fund Balance	<u><u>\$0</u></u>			

Public Strategies Group (PSG) Payments as of October 2005

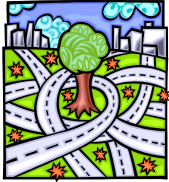
Attachment C

Total Appropriation	\$6,350,000
Less the 2.5% across-the-board reduction plus the 10.0% return of the reduction	142,875
Maximum available funds after net reduction due to across-the-board	<u>\$6,207,125</u>
5.0% of enacted savings: \$3,175,000	
Local Government based upon enacted legislation, 5.0% of \$57.0 million	\$2,850,000
Charter Agencies, 5.0% of \$1.55 million	77,500
Child Welfare, 5.0% of \$10.0 million reduction	247,500
\$500,000 reduced to \$247,500 due to capitation	
Total	<u>\$3,175,000</u>
Performance/Service Improvements Revised Plan: \$3,175,000	
12 monthly payments of \$142,500 in FY 2004	\$1,710,000
Withholding of \$100,000 for June 2004 payment due to delay of Child Welfare deliverables	100,000
Total Expended for 12 payments as of 10-05	<u>\$1,610,000</u>
Charter Agencies Satisfaction Scoring; \$707,200 possible	\$601,120
Child Welfare Outcome Measures: \$686,400 available	\$0
Local Government Outcome Measures \$686,400 available	\$141,570
Purchasing Results Addendum, Planning and Budgeting Process	
August 16 payment	\$75,000
September 15 payment	\$15,000
October 15 payment	\$10,000
Total paid to the PSG by November 1, 2004	<u><u>\$5,627,690</u></u>

Under the Performance/Service Improvements Area, if the remaining monthly payment withholding, the remaining Charter Agency Satisfaction Scoring, the Planning and Budgeting Process, the entire Child Welfare Outcome Measures, and the entire Local Government Outcome Measures are certified as completed, the maximum payments to PSG for Performance/Service Improvements Revised Plan will not be allowed to exceed \$3,032,125.

TRANSFER OF JURISDICTION FUND

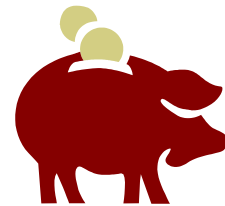
Primary Roads Transferred to Cities and Counties



Senate File 451 (FY 2004 Road Jurisdiction and Funding Act) allowed the transfer of jurisdiction and control of approximately 700 miles of State primary roads classified as Local Service Roads to cities and counties effective from FY 2004 through FY 2013. As a result, a portion of the State's share of the Primary Road Fund will be transferred monthly to a Transfer of Jurisdiction Fund, and then apportioned to the cities and counties that received jurisdiction and control of the roads, as detailed below.

Senate File 451 created a Transfer of Jurisdiction Fund in the office of the State Treasurer under the control of the Department of Transportation. From FY 2004 through FY 2013, following the 47.5% Road Use Tax Fund allocation to the Primary Road Fund, 1.75% of Primary Road Fund moneys will be credited to the Transfer of Jurisdiction Fund. The funds are then transferred to cities and counties as follows:

- ▶ 75.0% to cities and counties that assume jurisdiction of primary roads:
 - ◆ 89.56% to the Secondary Road Fund of counties.
 - ◆ 10.44% to the Municipal Road Fund of cities.
- ▶ 22.5% to the Secondary Road Fund of all counties.
- ▶ 2.5% to the Municipal Road Fund of all cities.



In FY 2014 and beyond, the Transfer of Jurisdiction Fund will be eliminated, and the 1.75% of Primary Road Fund moneys will be distributed to cities and counties as follows:

- ▶ 1.575% to the Secondary Road Fund of all counties.
- ▶ 0.175% to the Municipal Road Fund of all cities.

The following table illustrates the distribution of the Transfer of Jurisdiction Fund to cities and counties that assumed jurisdiction of primary roads in FY 2004, and the estimated distribution of the Fund through FY 2007.

**TRANSFER OF JURISDICTION FUND
FORMULA ALLOCATION**
(Dollars in Millions)

	<u>Actual FY 2004*</u>	<u>Estimated FY 2005</u>	<u>Estimated FY 2006</u>	<u>Estimated FY 2007</u>
Transfer of Jurisdiction Fund (1.75% of Primary Road Fund)	\$ 7.3	\$ 8.0	\$ 8.1	\$ 8.2
<u>Distribution of Transfer of Juris. Fund</u>				
Cities and counties that assume jurisdiction of primary roads (75.0%)				
Secondary Road Fund of counties (89.56%)	\$ 4.9	\$ 5.4	\$ 5.4	\$ 5.5
Municipal Road Fund of cities (10.44%)	0.6	0.6	0.6	0.6
Secondary Road Fund of all counties (22.5%)	1.6	1.8	1.8	1.8
Municipal Road Fund of all cities (2.5%)	0.2	0.2	0.2	0.2
TOTAL DISTRIBUTION	<u>\$ 7.3</u>	<u>\$ 8.0</u>	<u>\$ 8.1</u>	<u>\$ 8.2</u>

* Numbers may not add due to rounding.

Note: Total Primary Road Fund revenues for FY 2004 are based on the Treasurer of State's 12-month reporting period of June through May instead of July through June. Since the Transfer of Jurisdiction Fund was created in July 2004, the Primary Road Fund amount credited to the Transfer of Jurisdiction Fund in FY 2004 is based on the 11-month period of July through May. Amounts shown for estimated FY 2005 through FY 2007 are based on the 12-month period of June through May.

Advice Requested

Senate File 451 stated, "All funds, including any interest or other earnings on the funds, received by a county from the transfer of jurisdiction fund shall be deposited in the secondary road fund of the county to be used only for the maintenance and construction of roads under the county's jurisdiction." The legislation, as written, was thought to contradict Section 12C.7(2), Code of Iowa, which specifies, "Interest or earnings on [public] investments. . . shall be credited to the general fund of the governmental body making the investment or deposit. . . ." Advice on the language's intent was therefore requested from the Attorney General's Office. A memorandum provided from the Attorney General's Office suggested that SF 451 was not specific enough to take precedence over Section 12C.7(2), Code of Iowa: "If the drafters of this legislation had intended for the county secondary road fund to retain interest earned on the transfer of jurisdiction moneys. . . they could have clearly provided for this outcome by indicating that interest was retained by the fund 'notwithstanding the provisions of Code section 12C.7(2). . . ." Therefore, any interest earned on funds received by a county from the Transfer of Jurisdiction Fund is to be credited to the General Fund of the county.

Farm-to-Market Road Extensions Transferred to Counties

Effective in FY 2005, jurisdiction and control of approximately 400 miles of Farm-to-Market road extensions in cities with a population of less than 500 was transferred to the respective counties. Effective in FY 2005, a portion of the Municipal Road Fund from those cities will be transferred monthly to the Secondary Road Fund of the respective counties. The



Transfer of Jurisdiction Fund

total amount to be transferred is estimated at \$2.1 million annually.

Advice Requested

Senate File 451 stated, “The amount of moneys by which the apportionment to the city is reduced shall be transferred to the secondary road fund of the respective county, to be used only for the maintenance or construction of roads under the county's jurisdiction, and all interest and earnings on the moneys transferred shall remain in the secondary road fund of the county, to be used for the same purposes.” Advice requested of the Attorney General’s Office concluded that since this section specifically calls for “the retention of interest earned upon the moneys after transfer into the secondary road fund,” any interest earned on moneys transferred from a city to a county remain in the county’s Secondary Road Fund instead of being credited to the county’s General Fund. Therefore, the Attorney General’s Office considered SF 451 to take precedence over Section 12C.7(2), Code of Iowa.

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**DEPARTMENT OF ADMINISTRATIVE SERVICES
GENERAL FUND DISTRIBUTION**

The Department of Administrative Services (DAS) has historically received appropriations to fund services provided to State agencies. The Department received a General Fund appropriation of \$10.8 million, in SF 2298 (FY 2005 Omnibus Appropriations Act), to establish a separate account to be distributed to individual agencies in FY 2005. The Department also included other appropriations in the distribution, \$492,000 from the Primary Road Fund, \$81,000 from the Road Use Tax Fund, and \$89,000 from the State Employee Workers' Compensation Fund. The above appropriations will be built into the base budgets of individual agencies in the FY 2006 department requests, and the DAS will not request these funds. The agencies will use these funds to pay for services provided by the DAS.

The \$10.8 million General Fund portion was reduced by the following, Section 8.39, Code of Iowa, transfers: \$362,000 for Design and Construction Services provided by the DAS and \$83,000 for the DAS costs associated with the parking structure.

The DAS has proposed an additional distribution of \$812,000 from the General Fund portion and \$140,000 from other funds, for a total of \$952,000. The agencies would use these funds to pay for 1/3 services provided by the DAS. After the additional distribution there would remain \$435,000 from the General Fund and \$229,000 from other funds, for a total of \$664,000, which did not need to be distributed to agencies for payment to the DAS. The remaining funds could be transferred by the Governor or revert to the funds from which they were appropriated at the close of FY 2005.

The table below shows the amount which was distributed to each agency, including the proposed additional distribution of \$952,000.

<u>DEPARTMENT</u>	<u>FY 2005</u>		
	<u>First DAS Distribution</u>	<u>Second DAS Distribution</u>	<u>Total DAS Distribution</u>
AGRICULTURE -	\$ 799	\$ 132	\$ 931
AGRICULTURAL			
DEVELOPMENT			
AGRICULTURE AND LAND	298,528	18,123	316,651
STEWARDSHIP			
AUDITOR	74,802	4,651	79,453
BLIND	44,936	4,432	49,368
BOARD OF DENTAL	3,059		3,059
EXAMINERS			
BOARD OF MEDICAL	6,850		6,850
EXAMINERS			
BOARD OF NURSING	7,969		7,969
EXAMINERS			
BOARD OF PAROLE	4,036	614	4,650
BOARD OF PHARMACY	3,421		3,421
EXAMINERS			
BOARD OF REGENTS	5,817	922	6,739

Department of Administrative Services Distribution

<u>DEPARTMENT</u>	<u>First DAS Distribution</u>	<u>Second DAS Distribution</u>	<u>Total DAS Distribution</u>
CIVIL RIGHTS	\$ 31,063	\$ 1,273	\$ 32,336
COLLEGE STUDENT AID	49,089	1,580	50,669
COMMERCE - ALCOHOLIC BEVERAGES	5,584	1,360	6,944
COMMERCE - BANKING	17,019	2,721	19,740
COMMERCE - CREDIT UNION	4,546	658	5,204
COMMERCE - INSURANCE	16,488	3,905	20,393
COMMERCE - PROFESSIONAL LICENSING	15,598	307	15,905
COMMERCE - UTILITIES	17,805	2,984	20,789
COMMUNITY BASED CORRECTIONS--1	22,825		22,825
COMMUNITY BASED CORRECTIONS--2	17,447		17,447
COMMUNITY BASED CORRECTIONS--3	9,321		9,321
COMMUNITY BASED CORRECTIONS--4	7,648		7,648
COMMUNITY BASED CORRECTIONS--5	26,649		26,649
COMMUNITY BASED CORRECTIONS--6	22,347		22,347
COMMUNITY BASED CORRECTIONS--7	12,070		12,070
COMMUNITY BASED CORRECTIONS--8	11,711		11,711
CORRECTIONS	43,823	1,492	45,315
CORRECTIONS - ANAMOSA	85,350	16,148	101,498
CORRECTIONS - CLARINDA	60,545	12,243	72,788
CORRECTIONS - FARM ACCOUNT	435	307	742
CORRECTIONS - FORT DODGE	87,876	16,368	104,244
CORRECTIONS - INDUSTRIES	7,224	3,511	10,735
CORRECTIONS - MITCHELLVILLE	48,877	8,864	57,741
CORRECTIONS - MT PLEASANT	81,522	14,393	95,915
CORRECTIONS - NEWTON	83,059	14,876	97,935
CORRECTIONS - OAKDALE	73,791	13,998	87,789
CORRECTIONS - ROCKWELL CITY	20,624	4,783	25,407
CORRECTIONS- FT MADISON	136,348	24,574	160,922
CULTURAL AFFAIRS	190,372	2,984	193,356

Department of Administrative Services Distribution

<u>DEPARTMENT</u>	<u>First DAS Distribution</u>	<u>Second DAS Distribution</u>	<u>Total DAS Distribution</u>
DEPARTMENT OF ADMINISTRATIVE SERVICES	\$ 621,288	\$ 10,795	\$ 632,083
DEPARTMENT OF MANAGEMENT	25,895	1,185	27,080
DEPARTMENT OF TRANSPORTATION	292,751	140,113	432,864
ECONOMIC DEVELOPMENT	388,164	5,836	394,000
EDUCATION	356,497	10,883	367,380
EDUCATION - VOCATIONAL REHABILITATION	44,021	17,245	61,266
ELDER AFFAIRS	104,235	1,141	105,376
ETHICS & CAMPAIGN DISCLOSURE	13,686	263	13,949
FAIR AUTHORITY	10,007		10,007
FINANCE AUTHORITY	11,774	4,081	15,855
GOVERNOR'S OFFICE	31,504	1,404	32,908
GOVERNOR'S OFFICE OF DRUG CONTROL POLICY	8,414	395	8,809
HUMAN RIGHTS	46,188	2,370	48,558
HUMAN SERVICES - COMMUNITY SERVICES	489,540	102,112	591,652
HUMAN SERVICES - STATE TRAINING SCHOOL - ELDORA	43,660	8,469	52,129
HUMAN SERVICES	1,664,059	13,384	1,677,443
HUMAN SERVICES - CENTRAL OFFICE	11,175	1,009	12,184
HUMAN SERVICES - GLENWOOD RESOURCE CENTER	97,004	36,641	133,645
HUMAN SERVICES - IOWA JUVENILE HOME - TOLEDO	25,102	4,915	30,017
HUMAN SERVICES - MARSHALLTOWN	10,586	2,106	12,692
HUMAN SERVICES - MHI - CHEROKEE	49,793	9,040	58,833
HUMAN SERVICES - MHI - CLARINDA	25,120	4,125	29,245
HUMAN SERVICES - MHI - INDEPENDENCE	72,617	12,506	85,123
HUMAN SERVICES - MHI - MT PLEASANT	18,422	3,554	21,976
HUMAN SERVICES - WOODWARD RESOURCE CENTER	65,843	29,313	95,156
INSPECTIONS & APPEALS	159,594	10,970	170,564
INSPECTIONS & APPEALS- APPELLATE DEFENDER	162,847	8,557	171,404

Department of Administrative Services Distribution

<u>DEPARTMENT</u>	<u>First DAS Distribution</u>	<u>Second DAS Distribution</u>	<u>Total DAS Distribution</u>
INSPECTIONS & APPEALS- RACING & GAMING	\$ 12,559	\$ 2,150	\$ 14,709
IOWA COMMUNICATIONS NETWORK	37,709	4,520	42,229
IOWA LAW ENFORCEMENT ACADEMY	7,063	1,185	8,248
IOWA LOTTERY	17,145	4,783	21,928
IOWA PUBLIC EMPLOYMENT RETIREMENT SYSTEM	9,359	3,774	13,133
IOWA PUBLIC TELEVISION	22,702	5,178	27,880
IOWA STATE UNIVERSITY	79,978		79,978
IOWA WORKFORCE DEVELOPMENT	228,480	34,315	262,795
JUDICIAL	162,475	83,945	246,420
JUSTICE	199,952	9,083	209,035
JUSTICE - ADVOCATE OFFICE JUSTICE	5,571	1,009	6,580
LEGISLATIVE - CITIZENS' AIDE	2,578	614	3,192
LEGISLATIVE - HOUSE	12,312	5,924	18,236
LEGISLATIVE - JOINT EXPENSE	1,409	658	2,067
LEGISLATIVE - SENATE	7,750	3,686	11,436
LEGISLATIVE SERVICES AGENCY	11,566	4,344	15,910
NATURAL RESOURCES	359,795	39,362	399,157
PUBLIC DEFENSE	32,864	13,033	45,897
PUBLIC DEFENSE - EMERGENCY MANAGEMENT	46,460	2,370	48,830
PUBLIC EMPLOYMENT RELATIONS BOARD	27,659	439	28,098
PUBLIC HEALTH	335,436	17,114	352,550
PUBLIC SAFETY	380,979	37,563	418,542
REVENUE	413,193	15,578	428,771
SCHOOL FOR THE BLIND	2,620		2,620
SCHOOL FOR THE DEAF	2,222		2,222
SECRETARY OF STATE	66,583	1,536	68,119
TREASURER	20,688	1,009	21,697
UNIVERSITY OF IOWA	241,169		241,169
UNIVERSITY OF NORTHERN IOWA	27,314		27,314
VACANT SPACE - GSE	37,166		37,166
VETERANS AFFAIRS	84,180	37,870	122,050
TOTAL	\$9,403,995	\$ 951,656	\$ 10,355,651

*Numbers may not add due to rounding.

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OVERVIEW OF FY 2006 BUDGETS AND SUBCOMMITTEE ISSUES

This Section presents a summary analysis of the FY 2006 department requests compared to estimated FY 2005 appropriations and identifies possible issues to be discussed by individual appropriations subcommittees. The amounts requested for unassigned standings are not included in the totals for the appropriations subcommittees, but significant issues will be discussed under the Issues Sections.

It is important to note that:

- ▶ The department budget requests are compared to the estimated FY 2005 appropriation, which includes the first distribution of funds from the Department of Administrative Services to individual State agencies for billings, as authorized in SF 2298 (FY 2005 Omnibus Appropriations Act, Division I, Section I). It should be noted that while a department has “finalized” a budget request, in past years, certain department requests have changed before the Governor presents budget recommendations in January. The Department of Administrative Services has recently worked with DOM to distribute some of the funds appropriated to DAS to the other departments of State government. This will result in changes to both the estimated FY 05 and requested FY 06 numbers for most departments. Additionally, with the implementation of the new 1/3 budget system some problems have arisen in changing numbers once entered resulting in a few errors in the data. In instances where fiscal analysts were able to confirm a correct number, the department summaries will reflect the correct amount and not match the overall tracking document. **Figures in this document must therefore be considered “preliminary” and not finalized.**

Please see the DAS Distribution page in this document for additional information.

- ▶ Some departments and divisions have been designated as Charter Agencies, pursuant to Section 7J.1, Code of Iowa, beginning with FY 2004, for up to five years, ending in FY 2008. Charter agencies may be able to retain 50.0% of the unspent, year-end General Fund appropriation balance for five years beginning in FY 2004. Charter Agencies are exempt from any across-the-board General Fund appropriation reductions made by the Governor in FY 2004 and FY 2005, and may retain the proceeds from the sale or lease of assets, provided the assets are under the control of the Agency and provided the use of the proceeds is within the scope of the Agency. The Department of Management plans to provide full salary adjustment funding in FY 2005 to Charter Agencies. Charter Agencies are also exempt from the appropriated full-time equivalent (FTE) limitations for a period of five years, beginning in FY 2004.

The following departments and divisions are Charter Agencies:

- ✦ Department of Human Services

Overview of FY 2006 Budgets and Subcommittee Issues

- ◆ Department of Corrections
- ◆ Department of Natural Resources
- ◆ Department of Revenue
- ◆ Iowa Veteran's Home
- ◆ Alcoholic Beverages Division

Please see the Charter Agency Section of this document for additional information.

ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE

MEMBERS

Senate

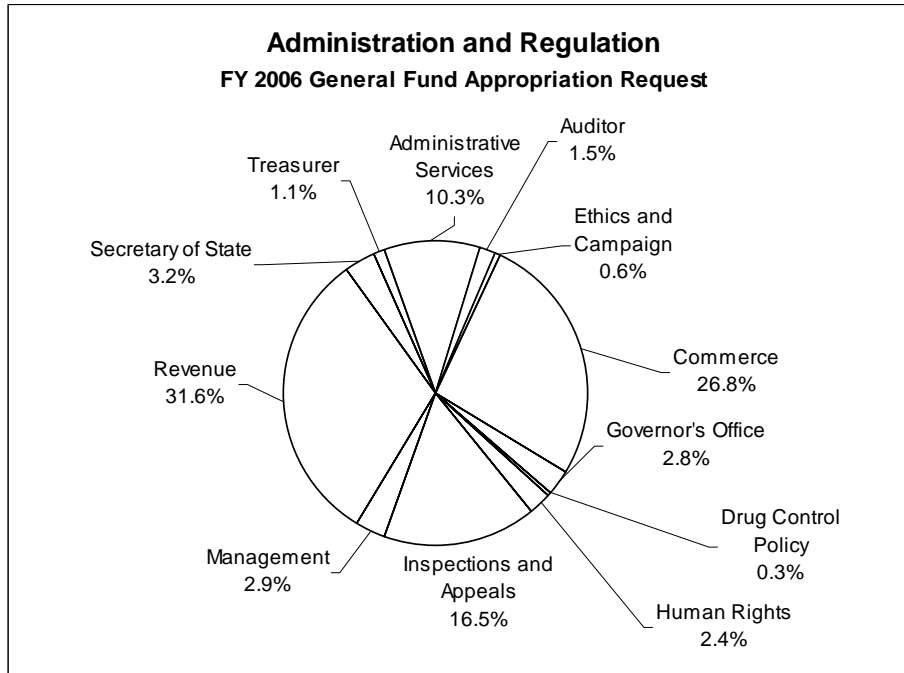
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House

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 Bruce Hunter, Ranking Member
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Legislative Services Agency

Ron Robinson – Fiscal Services Division	Sam Leto – Fiscal Services Division
Doug Wulf – Fiscal Services Division	Ed Cook – Legal Services Division



**Administration and Regulation
FY 2006 General Fund Appropriation Request**

Administrative Services	\$ 8,228,172
Auditor	1,202,690
Ethics and Campaign	457,601
Commerce	21,407,584
Governor's Office	2,223,689
Drug Control Policy	262,800
Human Rights	1,876,288
Inspections and Appeals	13,170,311
Management	2,344,752
Revenue	25,217,046
Secretary of State	2,588,065
Treasurer	850,252
	\$ 79,829,250

**Administration and Regulation Appropriation Subcommittee
FY 2006 General Fund Requests**

	<u>Estimated Net FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs. FY 2005</u>	<u>Description of Changes</u>
<u>Department of Administrative Services</u>				
Admin. Serv. General Office	\$ 5,237,639	\$ 5,178,565	\$ -59,074	A general decrease of \$59,074 and a general decrease of 3.4 FTE positions.
Utilities	2,576,000	2,581,865	5,865	An increase for the DAS Distribution.
Distribution Account	1,823,288	467,742	-1,355,546	The decrease represents the amount distributed to State agencies that the DAS will bill for services that had been provided by a direct appropriation to the DAS. The \$467,742 is the DAS's share of services that the DAS provides to itself
DAS - Revolving Fund	1,889,610	0	-1,889,610	This was a one-time appropriation.
Total Dept. of Administrative Services	\$ 11,526,537	\$ 8,228,172	\$ -3,298,365	
<u>Auditor of State</u>				
Auditor of State - Gen. Office	\$ 1,167,557	\$ 1,202,690	\$ 35,133	An increase in costs related to performing non-billable audits, and an increase of 0.1 FTE position.
<u>Ethics and Campaign Disclosure</u>				
Ethics and Campaign Disclosure	\$ 424,982	\$ 457,601	\$ 32,619	An increase for salary, technology, and new DAS costs.
<u>Department of Commerce</u>				
Alcoholic Beverages	\$ 1,882,081	\$ 1,882,081	\$ 0	An general increase of 1.0 FTE position.
Banking Division	6,361,824	6,361,824	0	
Credit Union Division	1,381,910	1,381,910	0	
Insurance Division	3,866,986	3,924,281	57,295	The Division reports the request is in error.
Professional Licensing	782,364	782,364	0	
Utilities Division	6,895,124	7,075,124	180,000	An increase of \$180,000 to provide funding for a Utility Regulatory Engineer, to work with electric transmission as it relates to regional electric transmission organizations, and a Utility Regulatory Inspector, to ensure that natural gas pipeline and electric transmission safety codes and rules. The Division is requesting 79.0 FTE positions, which is the amount authorized for FY 2005. Due to a problem with 1/3 the estimated FY 2005 amount was reduced to 70.0 FTE positions.
Total Department of Commerce	\$ 21,170,289	\$ 21,407,584	\$ 237,295	

**Administration and Regulation Appropriation Subcommittee
FY 2006 General Fund Requests**

	<u>Estimated Net FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs. FY 2005</u>	<u>Description of Changes</u>
<u>Governor</u>				
General Office	\$ 1,568,453	\$ 1,568,453	\$ 0	
Terrace Hill Quarters	343,149	343,149	0	
Admin. Rules Coordinator	136,458	136,458	0	
Natl. Governors Assn.	64,393	64,393	0	
State-Federal Relations	111,236	111,236	0	
Total Governor	\$ 2,223,689	\$ 2,223,689	\$ 0	
<u>Gov. Office of Drug Control Policy</u>				
Drug Policy Coordinator	\$ 262,800	\$ 262,800	\$ 0	
<u>Department of Human Rights</u>				
Administration	\$ 310,290	\$ 310,290	\$ 0	
Deaf Services	362,710	362,710	0	
Persons with Disabilities	184,971	184,970	-1	Rounding.
Division of Latino Affairs	166,718	166,718	0	
Status of Women	329,530	329,529	-1	Rounding.
Status of African Americans	118,296	118,296	0	
Criminal & Juvenile Justice	403,774	403,775	1	Rounding.
Total Department of Human Rights	\$ 1,876,289	\$ 1,876,288	\$ -1	
<u>Department of Inspection and Appeals</u>				
Inspections and Appeals				
Administration Division	\$ 1,650,372	\$ 1,650,372	\$ 0	
Administrative Hearings Div.	614,114	614,114	0	
Investigations Division	1,407,295	1,407,295	0	
Health Facilities Div.	2,276,836	2,276,837	1	An increase of 3.50 FTEs to convert part-time contract positions to FTEs in the Adult Services Bureau. These are the monitors (inspectors) for assisted living, adult day, and elder homes. A combination of full and part time staff.
Inspections Division	0	0	0	
Employment Appeal Board	52,869	52,869	0	
Foster Care Review	1,962,059	1,962,059	0	
Total Inspections and Appeals	\$ 7,963,545	\$ 7,963,546	\$ 1	
Racing Commission				
Pari-Mutuel Regulation	2,207,732	2,573,627	365,895	An increase for additional support costs related to additional table games.
Excursion Boat Gambling Reg.	1,812,328	2,415,977	603,649	An increase of 5.0 FTE positions for additional Gaming Representatives and support funds to allow positions to travel between facilities to provide additional regulation due to expansion of excursion boat gambling at licensed facilities in Iowa.
Pari-Mutuel Investigations	217,161	217,161	0	
Total Racing Commission	\$ 4,237,221	\$ 5,206,765	\$ 969,544	
Total Dept. of Inspections & Appeals	\$ 12,200,766	\$ 13,170,311	\$ 969,545	

**Administration and Regulation Appropriation Subcommittee
FY 2006 General Fund Requests**

	<u>Estimated Net FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs. FY 2005</u>	<u>Description of Changes</u>
<u>Department of Management</u>				
DOM General Office	\$ 2,163,719	\$ 2,163,719	\$ 0	
Enterprise Resource Planning	57,435	57,435	0	
Salary Model Administrator	123,598	123,598	0	
Total Department of Management	<u>\$ 2,344,752</u>	<u>\$ 2,344,752</u>	<u>\$ 0</u>	
<u>Department of Revenue</u>				
Compliance	\$ 25,189,584	\$ 25,189,584	\$ 0	The Department reports that they are not requesting any change in FTE positions compared to what was authorized for FY 2005. As a Charter Agency, the Department is not subject to FTE position restrictions.
Collection Costs and Fees	27,462	27,462	0	
Total Department of Revenue	<u>\$ 25,217,046</u>	<u>\$ 25,217,046</u>	<u>\$ 0</u>	
<u>Secretary of State</u>				
Administration and Elections	\$ 660,233	\$ 729,742	\$ 69,509	Includes 1.0 FTE position.
Business Services	1,682,476	1,858,323	175,847	
Total Secretary of State	<u>\$ 2,342,709</u>	<u>\$ 2,588,065</u>	<u>\$ 245,356</u>	
<u>Treasurer of State</u>				
Treasurer - General Office	\$ 821,252	\$ 850,252	29,000	An increase for new DAS utility costs.
Total Administration and Regulation	<u>\$ 81,578,668</u>	<u>\$ 79,829,250</u>	<u>\$ -1,749,418</u>	

Issues

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

▶ **Auditor of State**

- ◆ The Subcommittee may wish to review the appropriations process used to annually fund the Auditor's Office. This might include changing the Code of Iowa to provide an increase in the General Fund appropriation for the Office to cover the State share of audit costs that are currently appropriated to State departments.
- ◆ The Subcommittee may wish to examine the reasons for delays in reimbursement for audit services billed by the Auditor's Office with State departments assigned to the Subcommittees.
- ◆ The Subcommittee and the LSA continue to monitor amounts budgeted for audit costs to ensure amounts are adequate to cover the estimates sent out by the Auditor.
- ◆ The Subcommittee and the LSA should continue to monitor timeliness by the Auditor's Office regarding preparation and distribution of cost estimates for annual audit services to departments for purposes of budget preparation.

▶ **The Department of Human Rights, SF 2188 (Commission on the Status of Iowans of Asian and Pacific Islander Heritage Act)** – This Act created a new Commission in the Department of Human Rights. The Subcommittee may wish to receive an update on 2004 activities, including the status of the Commission, the selection of the Commission members, the execution of assigned duties and the Commission's ability to obtain non-State funding to carry out its mission. An annual report is due to the General Assembly and Governor by February 1 of each year.

▶ **Public Strategies Group (PSG)** – Under the Master Agreement between the Department of Management and PSG, a total of \$6.2 million was available for payments to PSG upon successful completion of various requirements in Addendums to the Agreement. Payments made to the PSG through November 1, 2004, total \$5.6 million.

The Public Strategies Group (PSG) continues to work with the DOM and other State and local agencies to make improvements in government process and performance. Several Charter Agencies have signed contract addendums directly with the PSG that will allow them to request assistance from PSG in efforts to improve performance or processes. The PSG would be paid from either funds saved by the agency or increased revenues the agency would generate. Currently, no projects are underway; however, it is possible that some of the projects funded through grants from the Charter Agency Loan Fund may be used to contract with the PSG.



▶ **Department of Administrative Services (DAS) Billings** – The new Department of Administrative Services (DAS) designates its products and services as Marketplace (agencies may select any vendor including the DAS), Utility (agencies must use the DAS for these products and services), and Leadership (the product or service is

supported by a direct General Fund appropriation to the DAS). The Subcommittee may wish to examine how the products and services are designated, the billing method used for the products and services provided by the DAS, and the operation of the customer councils.

- ▶ **Department of Inspections and Appeals Abuse Coordinating Unit** – As a result of the continuing increase in the number of dependent adult abuse complaints in health care facilities, the Department of Inspections and Appeals has created an Abuse Coordinating Unit. The purpose of the Unit is to provide close quality oversight and instruction to staff involved in dependent adult abuse investigations, administrative hearings, and criminal prosecutions. The oversight and instruction is to ensure quality, consistency and timeliness of these activities with the intent to protect residents of health care facilities, such as nursing homes and homes for the mentally retarded, from abuse or abusive situations. The Subcommittee may wish to review the efforts of the new unit and its impact on Iowans.
- ▶ **Implementation of the Federal Help America Vote Act (HAVA)** – The Secretary of State has received \$28.7 million in federal funds to implement the HAVA. Approximately \$22.0 million will be used for replacing existing voting equipment and for a Statewide voter registration system. The Subcommittee may wish to review the process the Secretary of State is utilizing to award funds to local governments for equipment replacement.
- ▶ **Integrated Information for Iowa (I/3)** – Formerly known as Enterprise Resource Planning (ERP). Progress has been made toward updating business processes across State government, beginning with redesigning the State budget system. For FY 2003, the General Assembly made an appropriation of \$4.4 million for the Project, \$6.1 million for FY 2004, and \$6.0 million for FY 2005, of which \$2.9 million is for on-going expenses. 
- ▶ **Flexibility in Establishing Racing Days at Racetrack Enclosures** – The current method of funding the Racing and Gaming Commission does not allow the racetracks flexibility during the calendar year for the establishment of additional racing days, and a reduction in the Commission's budget leads to fewer racing days.
- ▶ **Government Oversight Committee Recommendations** – The Subcommittee may wish to review the 2004 recommendations of the Government Oversight Committee that relate to departments assigned to the Subcommittee. This could include a joint meeting during the 2005 Legislative Session.
- ▶ **Electronic Filings with the Ethics and Campaign Disclosure Board** –The Subcommittee may wish to receive an update from the Board and the Information Technology Enterprise, Department of Administrative Services, regarding the status of the electronic filing of campaign reports and the estimated costs required in FY 2006. 
- ▶ **Health Insurance Co-Payments** – Employees have been required to pay 20.0% of the total cost rather than the required \$20 co-payment for visits to mental health providers. The Subcommittee may wish to review the efforts of the Department of Administrative Services to correct the problem and return over-billed amounts to employees.

Issue Reviews

The LSA completed two **Issue Reviews** relating to the Administration and Regulation Appropriations Subcommittee during the 2004 Interim that are available on the LSA web site:

- [Auditor of State](#)
- [Workers' Compensation for State Employees Fund](#)

Topic Presentations

The LSA maintains and updates **Topic Presentations** available on the LSA web site. Presentations relating to the Administration and Regulation Appropriations Subcommittee include:

- [Administration and Regulation Appropriations Subcommittee](#)
- [Gambling in Iowa](#)
- [Iowa Lottery](#)
- [Iowa Retirement Systems](#)

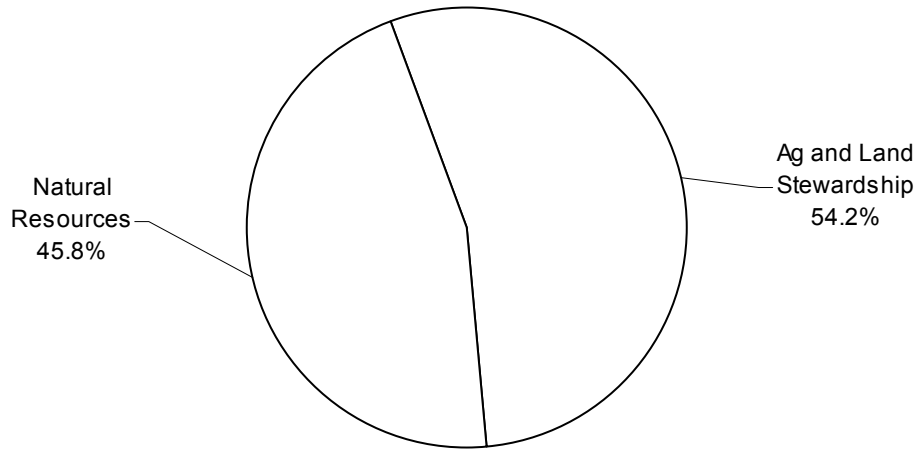
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AGRICULTURE AND NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE

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Doug Adkisson – Legal Services Division		

Agriculture and Natural Resources FY 2006 General Fund Appropriation Request



Agriculture and Natural Resources FY 2006 General Fund Appropriation Request

Ag and Land Stewardship	\$ 20,052,965
Natural Resources	16,946,077
	<u>\$ 36,999,042</u>

Agriculture and Natural Resources Appropriations Subcommittee
FY 2006 General Fund Requests

	<u>Estimated Net FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs. FY 2005</u>	<u>Description of Changes</u>
<u>Agriculture & Land Stewardship</u>				
Administrative Division	\$ 17,245,196	\$ 19,361,260	\$ 2,116,064	Program funding changes includes: Renewable Fuels Program (\$400,000), Horse & Dog Examiner (\$48,448 and 1.0 FTE), Homeland Security Liaison (\$114,000 and 1.0 FTE), animal health database conversion (\$171,625), Chronic Wasting Disease Program (\$127,000 and 1.6 FTEs), Farmer's Market position (\$54,954 and 1.0 FTE), Assistant State Veterinarian (\$96,000 and 1.0 FTE), expand agriculture programs (\$500,000), laptops for field staff (\$65,557), part time apiary inspectors (\$40,000), Johne's Disease herd risk assessment position (\$249,250 and 2.0 FTEs), additional inspection staff (\$142,366 and 2.0 FTEs) , State Viticulturalist (\$106,864 and 1.0 FTE).
Avian Influenza	50,000	50,000	0	
Missouri River Authority	9,535	9,535	0	
Regulatory Dairy Products	632,170	632,170	0	
Total Agriculture & Land Stewardship	\$ 17,936,901	\$ 20,052,965	\$ 2,116,064	
<u>Department of Natural Resources</u>				
DNR Operations	\$ 16,929,077	\$ 16,929,077	\$ 0	
Help Us Stop Hunger (HUSH) Program	17,000	17,000	0	
Total Department of Natural Resources	\$ 16,946,077	\$ 16,946,077	\$ 0	
Total Agriculture and Natural Resources	\$ 34,882,978	\$ 36,999,042	\$ 2,116,064	

Issues

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

- ▶ **Expansion of Agriculture Programs** – Due to past budget decreases, the Iowa Department of Agriculture and Land Stewardship (IDALS) has decreased services or eliminated programs within the Department. The IDALS is requesting \$500,000 to expand and enhance programs.
- ▶ **Renewable Fuels Program** – The Renewable Fuels Program promotes the production and consumption of products manufactured from agricultural commodities. There was no Program funding in FY 2005. The IDALS is requesting \$400,000 for educational and promotional activities.
- ▶ **Johne's Disease** – Paratuberculosis, or Johne's disease, is a contagious disease of the intestinal track of ruminants caused by the bacteria *Mycobacterium Paratuberculosis*. Ruminants are hoofed animals that have a multi-chambered stomach and chew a cud such as cattle, sheep, goats, llamas, deer, and elk. The IDALS is requesting \$250,000 and 2.0 FTE positions to provide herd risk assessment to Iowa producers.
- ▶ **Animal Health Database** – There are three databases used by the Animal Industry Bureau in the IDALS that need system conversion and upgrades. The programs include the Limestone Program, the Veterinarian Billing Program, and the Veterinarian Licensing Program. The IDALS is requesting \$172,000 to convert the database information to increase overall efficiency within the Department.
- ▶ **Chronic Wasting Disease** – This is a neurological disease similar to Mad Cow Disease that affects deer and elk. The disease has been reported in several states, however, no cases have been documented in Iowa. The Chronic Wasting Disease Program was transferred to the IDALS beginning in FY 2004, however, there was no funding. The Department did receive a federal grant to pay for FY 2005 expenditures and is requesting \$127,000 and 1.6 FTE positions for FY 2006.
- ▶ **Iowa Grape Industry** – There are 234 commercial vineyards and 30 wineries located in Iowa. As the grape industry continues to grow, the IDALS does not have a State Viticulturalist to provide technical assistance, information, and support, and is requesting \$107,000 and 1.0 FTE position for FY 2006.
- ▶ **State Destination Park** – A State Destination Park will be located in the area of Rathbun Lake and Honey Creek State Park. Over 1,600 acres are available for development for the destination park. Employees from the Department of Natural Resources (DNR) are working in conjunction with the local steering committee that includes the Chariton Valley Resource Conservation and Development Board, the United States Army Corps of Engineers, and Rathbun Lake Resort, Inc. The DNR is requesting \$500,000 from the Rebuild Iowa Infrastructure Fund (RIIF) for FY 2006 for the following:
 - ◆ Construction of the lodge and aquatic center.
 - ◆ Construction of 15 to 20 family cabins.
 - ◆ Construction of the campgrounds.



-
- ✦ Construction of picnic shelters.
 - ✦ Start-up golf course construction.



Issue Review

The Fiscal Services Division of the Legislative Services Agency (LSA) completed an **Issue Review** on the Conservation Reserve Enhancement Program (CREP). The Program is a partnership between local, State, federal, and private entities that provide financial incentives to landowners to establish wetlands for water quality improvement in the tile-drained regions of Iowa. Copies of the **Issue Review** are available on the LSA web site: <http://staffweb.legis.state.ia.us/lfb/ireview/ireview.htm>.

Topic Presentations

The Fiscal Services Division of the LSA maintains and updates **Topic Presentations** available on the LSA web site. Presentations related to the Agriculture and Natural Resources Subcommittee include:

- [Agriculture and Natural Resources Appropriations Subcommittee](#)
- [Agriculture and Water Quality](#)
- [Energy in Iowa](#)
- [Environment First Fund](#)
- [Forestry Overview](#)
- [Groundwater Protection Fund](#)
- [The Resource Enhancement and Protection \(REAP\) Fund](#)



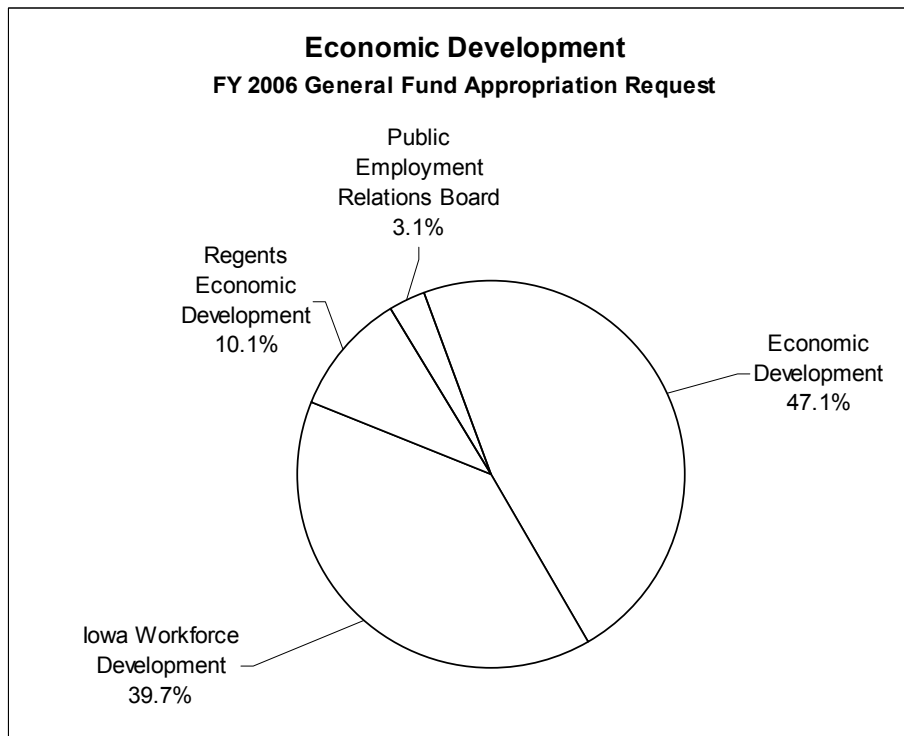
Copies of the **Topic Presentations** are available from the LSA.

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ECONOMIC DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE

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**Economic Development
FY 2006 General Fund Appropriation Request**

Economic Development	\$ 13,853,507
Iowa Workforce Development	11,642,604
Regents Economic Development	2,971,853
Public Employment Relations Board	924,250
	<u>\$ 29,392,214</u>

Economic Development Appropriation Subcommittee
FY 2006 General Fund Requests

	<u>Estimated Net FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs. FY 2005</u>	<u>Description of Changes</u>
<u>Department of Economic Development</u>				
Administrative Services				
General Administration	\$ 1,950,496	\$ 1,950,496	\$ 0	
World Food Prize	285,000	285,000		
Total Administrative Services	<u>\$ 2,235,496</u>	<u>\$ 2,235,496</u>	<u>\$ 0</u>	
Business Development				
Business Development	\$ 6,084,500	\$ 6,084,500	\$ 0	
Community & Rural Development				
School to Career Refund	\$ 27,786	\$ 27,786	\$ 0	
Community Development	5,505,725	5,505,725	0	
Total Community & Rural Development	<u>\$ 5,533,511</u>	<u>\$ 5,533,511</u>	<u>\$ 0</u>	
Total Dept. of Economic Development	<u>\$ 13,853,507</u>	<u>\$ 13,853,507</u>	<u>\$ 0</u>	
<u>Iowa Workforce Development</u>				
General Office	\$ 5,117,604	\$ 5,117,604	\$ 0	
Workforce Dev. Field Offices	6,525,000	6,525,000	0	SF 2311 provided a GF appropriation of \$6,525,000 for FY 2005 and FY 2006 and a GF appropriation of \$3,262,500 for FY 2007 to fund the 55 rural and satellite workforce development offices previously funded by the Administrative Contribution Surcharge which has been repealed.
Total Iowa Workforce Development	<u>\$ 11,642,604</u>	<u>\$ 11,642,604</u>	<u>\$ 0</u>	
<u>Public Employment Relations Board</u>				
General Office	\$ 923,411	\$ 924,250	\$ 839	
<u>Board of Regents</u>				
SUI - Economic Development	\$ 247,005	\$ 247,005	\$ 0	
ISU - Economic Development	2,363,557	2,363,557	0	
UNI - Economic Development	361,291	361,291	0	
Total Board of Regents	<u>\$ 2,971,853</u>	<u>\$ 2,971,853</u>	<u>\$ 0</u>	
Total Economic Development	<u>\$ 29,391,375</u>	<u>\$ 29,392,214</u>	<u>\$ 839</u>	

Issues

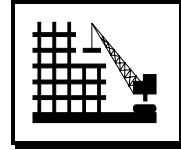
The Economic Development Appropriations Subcommittee may wish to examine the following issues:

- ▶ **Strategic Investment Fund and the Value-Added Agricultural Products and Processes Financial Assistance Program (VAAPFAP)** – The two Programs did not receive an appropriation for FY 2005. The Strategic Investment Fund is comprised of the Community and Economic Betterment Account (CEBA), the Targeted Small Business Financial Assistance Program, the Entrepreneurs with Disabilities Program, and the Entrepreneurial Ventures Assistance Program. Remaining sources of revenue for the Strategic Investment Fund and VAAPFAP are loan repayments and interest. The Subcommittee may wish to examine the programs and activities funded through the Strategic Investment Fund and VAAPFAP and the future of those programs and activities.
- ▶ **Federal Economic Stimulus and Jobs Holding Fund** – Senate File 2311 (Economic Stimulus Appropriations Act passed during the September 2004 Special Session) created the Federal Economic Stimulus and Jobs Holding Fund and deposits the proceeds from the 2003 Federal Jobs and Growth Tax Relief Reconciliation Act into the Fund. The Act also appropriated a total of \$100.0 million from the Fund to economic development programs previously funded by the Grow Iowa Values Fund. The appropriations took effect upon enactment and are retroactively applicable to July 1, 2003. The following table provides the appropriations made to the various programs.

	FY 2005
Strategic Marketing	\$ 6,782,949
Financial Assistance & Incentives	61,045,652
Targeted State Parks	475,806
Loan Guarantee Fund	5,728,402
Regents & Private Inst.	10,058,162
Workforce Training	3,848,668
Job Retention Program	1,000,000
Endow Iowa Grants	155,303
Endow Iowa Tax Credits	155,303
Cash Reserve Fund	10,749,754
Total	<u>\$ 99,999,999</u>

- ▶ **Battelle Report** – An article from Time Magazine entitled, “Visions of the 21st Century – Our Work, Our World,” argues that the country has moved from the industrial economy, into the information economy, and is now moving into a new economy called the bioeconomy. The Department of Economic Development recently paid the Battelle Memorial Institute \$230,000 to conduct a study to determine Iowa’s core bioscience competencies and to produce a formal strategy and roadmap to drive bioscience growth in the State. The report provides several recommendations to strengthen Iowa’s bioscience industry. In total, the recommendations call for an investment of approximately \$301.5 million over a 10-year period. The report recommends the State issue bonds for \$169.7 million and provide General Fund support in the amount of \$131.8 million over 10 years. In doing so, according to Battelle’s projections, the State will leverage \$1.5 billion in federal, private, and other funding sources. Battelle projects that the total funding will result in an increase of 16,000 jobs over 10 years, with total sales in year 10 of approximately \$1.4 billion.

- **Community Attraction and Tourism (CAT) Program** – In the past, the CAT Program received an annual appropriation of \$12.5 million from the Restricted Capital Fund of the Tobacco Settlement Trust Fund for infrastructure projects to enhance tourism. The last Restricted Capital Fund appropriation was for FY 2004. Senate File 2298 (FY 2005 Omnibus Appropriations Act) extended the CAT Program through FY 2010. For FY 2005 through FY 2010 the CAT Program will receive an annual appropriation of \$12.0 million. For FY 2005, the funding source is the Rebuild Iowa Infrastructure Fund (RIIF). For FY 2006 through FY 2010, the funding sources will be RIIF (\$5.0 million) and revenue from the franchise tax (\$7.0 million). The Board has made 146 awards totaling \$47.7 million.



- **Administrative Contribution Surcharge** – In prior years, 55 rural and satellite Workforce Development field offices were funded by the Administrative Contribution Surcharge that was paid by Iowa employers. The surcharge, which was originally scheduled to sunset on July 1, 2003, was extended to July 1, 2006, through the enactment of HF 692 (Taxation Changes, Grow Iowa Values and Regulatory Reform Act). Since HF 692 was invalidated by the Iowa Supreme Court, the original sunset date of July 1, 2003, became law. Senate File 2311 (Economic Stimulus Appropriations Act) provided a General Fund appropriation of \$6.5 million for FY 2005, and FY 2006, and a General Fund appropriation of \$3.3 million for FY 2007. The Department has included this in their FY 2006 budget request. As specified in statute, Administrative Contribution Surcharge collections were allowed to be continued through the end of calendar year 2003. Surcharges collected after December 31, 2003, were set aside in escrow and will be refunded to businesses. Approximately \$3.1 million was collected for the first two quarters of calendar year 2004. The Department of Workforce Development has been using carry-forward funds in the Administrative Contribution Surcharge Fund to cover Program expenses. In FY 2006, when the appropriation is reduced by 50.0%, the Department intends to request an appropriation from the interest earnings on the Unemployment Compensation Reserve Fund.

- **Boiler and Pressure Vessel Board and Elevator Safety Board** – House File 2447 (Equipment and Installation Safety Programs Act) passed during the 2004 Legislative Session created the Boiler and Pressure Vessel Board and the Elevator Safety Board as well as revolving funds to support each Program. Usually, fees generated by the Boiler and Pressure Vessel and Elevator Safety programs are deposited into the General Fund. The Division of Labor Services then receives an allocation from the Department of Workforce Development General Fund appropriation. Starting in FY 2006, fees generated by these programs will be retained by the Division. In order to offset the loss of revenue to the General Fund, the following intent language was placed in the Act:

It is the intent of the general assembly that the moneys appropriated from the general fund of the state to the division of labor services of the department of workforce development for the fiscal year beginning July 1, 2005, and ending June 30, 2006, be reduced by the total amount of revenues projected to be deposited in the boiler and pressure vessel safety fund created by section 89.8 and the elevator safety fund created by section 89A.19 in the fiscal year beginning July 1, 2005.

Fee revenue from these two programs for FY 2006 is estimated to be approximately \$650,000. If the Subcommittee wishes to comply with the intent language of HF 2447 and to offset the loss of revenue to the General Fund, the Subcommittee may choose to reduce the General Fund appropriation to the Department of Workforce Development by \$650,000 for FY 2006.

Issue Reviews

The Legislative Services Agency (LSA) completed two **Issue Reviews**

- Battelle Institute Report on Iowa's Bioeconomy – The **Issue Review** uses information from the two reports completed by the Battelle Memorial Institute and provides a summary of Battelle's findings and recommendations for the State as well as a summary of Iowa's current efforts at developing the bioscience industry and information of what other States are doing to develop this area.
- Iowa Finance Authority – provides an overview of the programs, activities, and finances of the Iowa Finance Authority.

Copies of the **Issue Reviews** are available from the LSA.

Topic Presentations

The LSA maintains and updates **Topic Presentations** available on the LSA Web site. Presentations relating to the Economic Development Appropriations Subcommittee include:

- [Community Economic Betterment Account \(CEBA\) Program](#)
- [Iowa Department of Economic Development - Workforce Training Programs](#)
- [The Strategic Investment Fund](#)
- [Vision Iowa Program](#)

Copies of the Topic Presentations are available from the LSA.

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EDUCATION APPROPRIATIONS SUBCOMMITTEE

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 Wally Horn, Co-Chair
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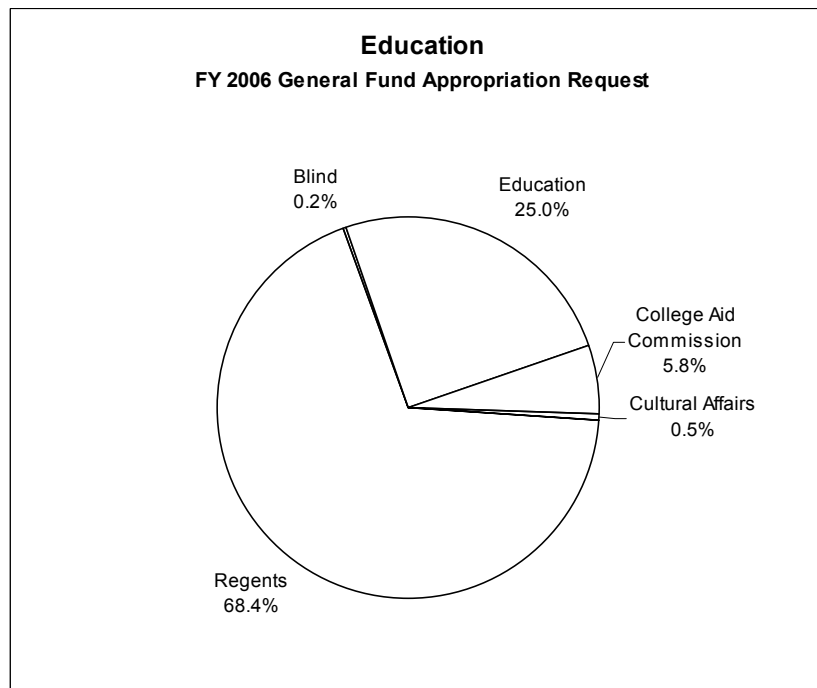
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Education

FY 2006 General Fund Appropriation Request

Blind	\$ 1,998,408
College Aid Commission	55,290,426
Cultural Affairs	5,256,757
Education	239,076,260
Regents	654,308,628
	\$ 955,930,479

**Education Appropriation Subcommittee
FY 2006 General Fund Requests**

	Estimated Net FY 2005	Dept Request FY 2006	FY 2006 vs. FY 2005	Description of Changes
<u>Iowa Commission for the Blind</u>				
Department for the Blind	\$ 1,586,843	\$ 1,998,408	\$ 411,565	General increase (26.0%) - see Issues.
<u>College Aid Commission</u>				
Operations & Loan Program				
Scholarship and Grant Admin	\$ 347,914	\$ 347,914	\$ 0	
Student Aid Program (IA Grants)	1,029,784	1,029,784	0	
Osteopathic University Prime	346,451	346,451	0	
National Guard Loan Program	2,900,000	2,900,000	0	
Teacher Shortage Forgive. Loan	460,472	460,472	0	
Osteopathic Forgivable Loans	50,000	50,000	0	
Total Operations & Loan Program	5,134,621	5,134,621	0	
Standing Grant & Loan Program				
Tuition Grant Program Standing	47,157,515	47,157,515	0	
Scholarship Program Standing	465,175	465,175	0	
Voc Tech Grant - Standing	2,533,115	2,533,115	0	
Total Standing Grant & Loan Program	50,155,805	50,155,805	0	
Total College Aid Commission	\$ 55,290,426	\$ 55,290,426	\$ 0	
<u>Department of Cultural Affairs</u>				
Department of Cultural Affairs				
Cultural Affairs - Admin.	\$ 232,652	\$ 232,652	\$ 0	
Cultural Grants	299,240	299,240	0	
State Historical Society	3,040,920	3,040,920	0	
Historical Sites	526,459	526,459	0	
Iowa Arts Council	1,157,486	1,157,486	0	
Total Department of Cultural Affairs	\$ 5,256,757	\$ 5,256,757	\$ 0	
<u>Department of Education</u>				
Administration				
Dept. of Ed. Administration	\$ 5,409,889	\$ 5,409,889	\$ 0	
Vocational Ed. Admin.	514,828	514,828	0	
Board of Ed. Examiners	0	0	0	
Vocational Rehabilitation	4,322,805	4,322,805	0	
Independent Living	54,150	54,150	0	
State Library	1,377,325	1,377,325	0	
Library Service Areas	1,376,558	1,376,558	0	
Iowa Public Television	6,591,216	7,109,544	518,328	Replace one-time funding from Teacher Quality carry-forward; transfer from Regional Telecommunication Councils (RTCs).
IPTV - Regional Councils	1,600,806	1,240,478	-360,328	Transfer IPTV allocation to IPTV general operations appropriation.
School Food Service	2,509,683	2,509,683	0	
Total Administration	23,757,260	23,915,260	158,000	
Department of Education				
Achievement Gap Grants	500,000	0	-500,000	FY 2005 one-time appropriation.
Grants & State Aid				
Enrich Iowa Libraries	1,698,432	1,698,432	0	
Vocational Educ Secondary	2,936,904	2,936,904	0	
Empowerment Bd - Early Child.	13,381,594	13,381,594	0	

**Education Appropriation Subcommittee
FY 2006 General Fund Requests**

	Estimated Net FY 2005	Dept Request FY 2006	FY 2006 vs. FY 2005	Description of Changes
Department of Education (con't.)				
Nonpublic Textbooks	590,458	590,458	0	
Student Achievement	45,283,894	50,783,198	5,499,304	Increase needed to maintain teacher salaries at FY 2005 level.
Jobs For America's Grads	400,000	400,000	0	
Total Grants & State Aid	64,291,282	69,790,586	5,499,304	
Community College				
MAS - General Aid	139,779,244	145,370,414	5,591,170	General increase (4.0%).
Total Department of Education	\$ 228,327,786	\$ 239,076,260	\$ 10,748,474	
Board of Regents				
Regents Board Office	\$ 1,166,215	\$ 0	\$ -1,166,215	
Tuition Replacement	13,009,474	0	-13,009,474	
Southwest Iowa Resource Center	105,956	0	-105,956	
Tri State Graduate Center	77,941	0	-77,941	
Quad Cities Graduate Center	157,144	0	-157,144	
BOR Universities	0	558,860,165	558,860,165	
BOR Special Schools	0	13,755,786	13,755,786	
BOR Health services	0	42,388,092	42,388,092	
BOR Natural resources	0	31,916,405	31,916,405	
BOR Economic Development	0	3,538,719	3,538,719	
BOR Univ Hygienic Lab	0	3,849,461	3,849,461	
Total Board of Regents	14,516,730	654,308,628	639,791,898	See Total below and Issues.
University of Iowa				
Univ. of Iowa: Gen. University	220,131,572	0	-220,131,572	
Indigent Patient Program: UIHC	27,284,584	0	-27,284,584	
Psychiatric Hospital	7,043,056	0	-7,043,056	
Center Dis. & Dev. (Hosp-Sch)	6,363,265	0	-6,363,265	
Oakdale Campus	2,657,335	0	-2,657,335	
University Hygienic Laboratory	3,849,461	0	-3,849,461	
Family Practice Program	2,075,948	0	-2,075,948	
SCHS - Hemophilia, Cancer	649,066	0	-649,066	
State of Iowa Cancer Registry	178,739	0	-178,739	
SUI Substance Abuse Consortium	64,871	0	-64,871	
Biocatalysis	881,384	0	-881,384	
Primary Health Care	759,875	0	-759,875	
Iowa Birth Defects Registry	44,636	0	-44,636	
Total University of Iowa	271,983,792	0	-271,983,792	See Total below and Issues.
Iowa State University				
Iowa State: Gen. University	173,269,729	0	-173,269,729	
ISU Ag & Home Ec. Exp. Sta.	31,019,520	0	-31,019,520	
ISU Cooperative Extension	19,738,432	0	-19,738,432	
ISU Leopold Center	464,319	0	-464,319	
Livestock Disease Research	220,708	0	-220,708	
Total Iowa State University	224,712,708	0	-224,712,708	See Total below and Issues.
Univ. of Northern Iowa				
University of Northern Iowa	77,831,821	0	-77,831,821	
Recycling & Reuse Center	211,858	0	-211,858	
Total Univ. of Northern Iowa	78,043,679	0	-78,043,679	See Total below and Issues.

**Education Appropriation Subcommittee
FY 2006 General Fund Requests**

	<u>Estimated Net FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs. FY 2005</u>	<u>Description of Changes</u>
Special Schools				
Iowa School for the Deaf	8,470,471	0	-8,470,471	
Braille & Sight Saving School	4,740,295	0	-4,740,295	
Tuition and Transportation	15,020	0	-15,020	
Total Special Schools	<u>13,225,786</u>	<u>0</u>	<u>-13,225,786</u>	See Total below and Issues.
Total Board of Regents	\$ 602,482,695	\$ 654,308,628	\$ 51,825,933	General increase (8.6%) - see Issues.
Total Education	<u>\$ 892,944,507</u>	<u>\$ 955,930,479</u>	<u>\$ 62,985,972</u>	

Issues

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

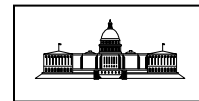
Department for the Blind

- ▶ The Department for the Blind has requested a 26.0% increase in its General Fund appropriation for FY 2006 compared to estimated FY 2005. Since FY 2003, the Department has been using interest income from its Gifts and Bequests account to backfill funding for general operations in order to avoid cutting staff and services as a result of State budget reductions. Donors and consumer groups have expressed strong objections to this practice, and the Department plans to end the practice in FY 2006. Without a significant increase in General Fund support in FY 2006, the Department will consider laying off approximately 30 staff (29.1%) and reducing services to clients.



College Student Aid Commission

- ▶ The federal Balanced Budget Act of 1997 required the return of approximately \$1.0 billion in state guaranty agency reserves by the end of Federal Fiscal Year 2002. The Iowa College Student Aid Commission's portion of this total was approximately \$39.0 million. The Commission had a five-year window (FY 1998 through FY 2002) to use interest earned on federal reserve funds for default reduction efforts. The Commission established several new programs by utilizing interest revenues. The General Assembly may wish to review the Commission's utilization of the interest funds for the past five fiscal years and receive an update on the use of any carryforward funds.



Department of Education

- ▶ The Division of Vocational Rehabilitation Services (DVRS), was unable to draw down \$2.0 million in federal funding in FFY 2004 due to a shortage of \$552,000 in non-federal match. This was the first time since 1996 that the DVRS could not match all available federal funds. The Division is estimating a 2.0% increase in available federal funding in FFY 2005 and predicts that matching dollars will again fall short, leaving the State unable to draw down \$1.9 million.

In addition to an annual State General Fund appropriation of \$4.3 million in FY 2005, the DVRS generates matching funds through third-party contracts with a variety of local and private agencies. These local and private agencies have been impacted by the downturn in the economy and, in many cases, by reduced State funding. As a result, the Division's capacity to generate additional matching funds has been strained.

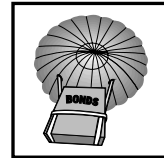
As of December 1, 2004, the DVRS has a caseload of 14,000, with more than 2,000 individuals on waiting lists.

- ▶ Tuition increases at Iowa's community colleges for the 2004-2005 school year averaged 7.1% compared to the previous year. The Chronicle of Higher Education reports that tuition at public two-year institutions increased nationwide by an average of 9.0%. However, Iowa's average community college tuition and fees for 2004-2005 (\$3,128) are 50.7% above the national average (\$2,076), according to The Chronicle.

Board of Regents

➤ Requested Budget Increase for FY 2006 – The Board is asking the General Assembly to commit to a \$40.0 million increase for the three universities for each of the next four years. In exchange for this commitment, the Board has offered to reallocate \$20.0 million of funds internally each year for four years and limit tuition increases to moderate inflationary increases. The Board is also requesting an increase of 4.0% for each of the special schools (Iowa School for the Deaf and Iowa Braille and Sight Saving School) to mirror the requested increase for K-12 allowable growth. The increase of \$51.8 million illustrated in the preceding spreadsheet includes \$11.3 million for tuition replacement (debt service on academic revenue bonds) that has typically been appropriated from tobacco funds. If the \$11.3 million is deducted from the total increase of \$51.8 million, the increase compared to estimated FY 2005 is 6.7%. The tobacco funds portion of tuition replacement is typically addressed in the Transportation, Infrastructure, and Capitals Subcommittee. In addition to the General Fund request for FY 2006, the Board is requesting capital appropriations of \$15.0 million per year for five years to address fire and environmental safety and deferred maintenance needs. The Transportation, Infrastructure, and Capitals Subcommittee will also address this capital appropriations request.

➤ The Board of Regents received \$103.0 million in December 2001 from the sale of shares of stock as a result of the demutualization of Principal Mutual Holding Company. The General Assembly required the Board to utilize \$25.0 million of these funds for salary adjustment in FY 2003. The Subcommittee may wish to review utilization of the remaining funds.



➤ Tuition increases. Prior to FY 2005, the Board of Regents was subject to a statutory requirement to set tuition for the following year by November of the previous year. For example, the final decision on tuition rates for fall 2005 would be made at the regular Board meeting in November 2004. However, this requirement was eliminated from statute during the 2004 Legislative Session. At the November 2004 Board meeting, the Board reviewed a preliminary proposal to increase the base undergraduate resident tuition rate for FY 2006 by 4.0%. This would result in undergraduate resident annual tuition rates of \$5,396 at the University of Iowa, \$5,426 at Iowa State University, and \$5,387 at the University of Northern Iowa. This proposal also includes various percentage increases for other tuition categories, such as those for nonresidents and various graduate and professional programs. Additional tuition revenue to the universities, assuming the same enrollment as FY 2005, would be \$19.8 million for FY 2006.

Statewide educational topics are covered in more detail under Educational Issues in the General Fund Issues Section of this document.

Issue Reviews

The LSA staff for the Education Appropriations Subcommittee completed two **Issue Reviews** during the 2004 legislative interim:

➤ [College Work Study](#)

➤ [Board of Regents Financial Aid](#)

➤ [Allocation of State Aid to Community Colleges](#)



Copies of the **Issue Reviews** are available from the LSA.

Topic Presentations

The LSA staff for the Education Appropriations Subcommittee maintains and updates **Topic Presentations** on the LSA web site:

- [Board of Educational Examiners](#)
- [Community Colleges](#)
- [Educational Excellence Program](#)
- [Iowa's Historic Sites](#)
- [Enrollments at Higher Education Institutions](#)
- [Plant Science Initiative at Iowa State University](#)
- [Teacher Shortage Forgivable Loans](#)
- [Tuition Grant Program](#)
- [Tuition Policy at the Board of Regents](#)



Copies of the **Topic Presentations** are available from the LSA.

Additional **Issue Reviews** and **Topic Presentations** relating to funding for school districts (school aid) are also available from the LSA.

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HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE

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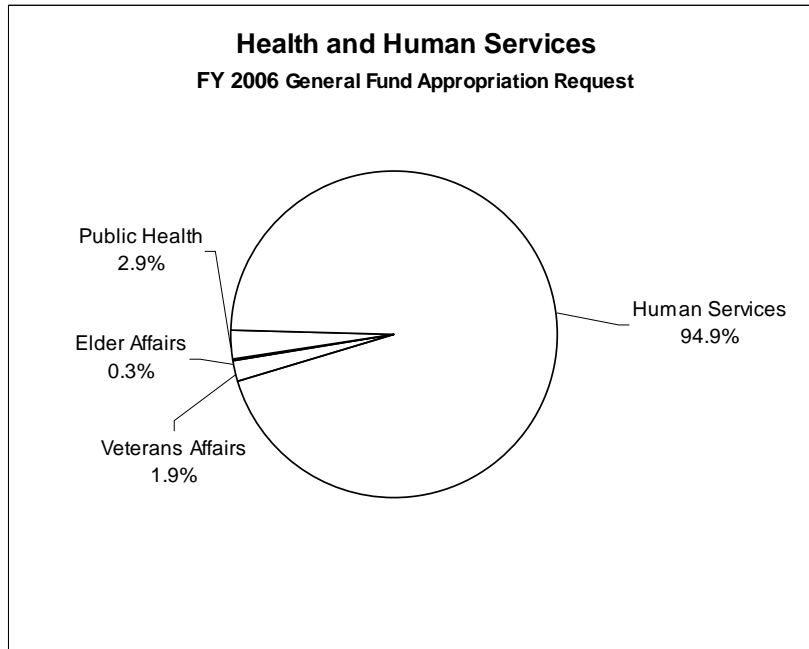
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Health and Human Services
 FY 2006 General Fund Appropriation Request

Elder Affairs	\$ 2,729,381
Public Health	24,197,139
Human Services	806,819,917
Veterans Affairs	16,567,290
	\$ 850,313,727

Health and Human Services Appropriation Subcommittee
FY 2006 General Fund Requests

	<u>Estimated FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs. FY 2005</u>	<u>Description of Changes</u>
<u>Department of Elder Affairs</u>				
Aging Programs	\$ 2,729,381	\$ 2,729,381	\$ 0	
<u>Department of Public Health</u>				
Addictive Disorders	\$ 1,267,111	\$ 1,265,910	\$ -1,201	The decrease is due to the Department of Administrative Services (DAS) distribution transfer to Resource Management.
Adult Wellness	304,067	304,067	0	
Child and Adolescent Wellness	915,803	915,761	-42	The decrease is due to the DAS distribution transfer to Resource Management.
Chronic Conditions	845,863	845,342	-521	The decrease is due to the DAS distribution transfer to Resource Management.
Community Capacity	1,267,359	1,274,299	6,940	An increase of \$10,000 due to the transfer of funds for the Uninsured Prescription Drug Access Project, and a decrease of \$3,060 due to a DAS distribution transfer to Resource Management.
Elderly Wellness	9,233,985	9,233,985	0	
Environmental Hazards	251,808	251,808	0	
Infectious Diseases	1,079,703	1,078,039	-1,664	The decrease is due to the DAS distribution transfer to Resource Management.
Injuries	1,379,358	1,379,258	-100	The decrease is due to the DAS distribution transfer to Resource Management.
Public Protection	6,620,172	6,671,342	51,170	An increase of \$60,390 due to the transfer of funds for the Hearing Impaired Licensure Board, and a decrease of \$9,220 due to a DAS distribution transfer to Resource Management.
Resource Management	961,520	977,328	15,808	The increase includes DAS distribution from the following budget units: Addictive Disorders (\$1,201), Child & Adolescent Wellness (\$42), Chronic Conditions (\$521), Community Capacity (\$3,060) Infectious Diseases (\$1,664), Injuries (\$100), and Public Protection (\$9,220).
Hearing Impaired Licensure Board	60,390	0	-60,390	The decrease is due to the transfer of funding for the Licensure Board to Public Protection.
Uninsured Prescription Drug Access Project	10,000	0	-10,000	The decrease is due to the transfer of funding for the Project to Community Capacity.
Total Dept. of Public Health	<u>\$ 24,197,139</u>	<u>\$ 24,197,139</u>	<u>\$ 0</u>	

Health and Human Services Appropriation Subcommittee
FY 2006 General Fund Requests

	<u>Estimated FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs. FY 2005</u>	<u>Description of Changes</u>
<u>Department of Human Services</u>				
Economic Assistance				
Family Investment Program	\$ 39,076,970	\$ 40,515,516	\$ 1,438,546	An increase of \$1.5 million for 1.2% Family Investment Program caseload growth. An increase of \$279,000 for PROMISE JOBS caseload growth. A decrease of \$334,000 to eliminate the \$0.07 Electronic Benefits Transfer retailer fee.
Child Support Recoveries	<u>7,754,046</u>	<u>7,754,046</u>	<u>\$ 0</u>	
Total Economic Assistance	46,831,016	48,269,562	1,438,546	
Medical Services				
Medical Assistance-GF Trans	352,810,068	382,986,177	30,176,109	Reflects an increase of \$11.9 million for 3.6% caseload growth and an increase of \$24.2 million to offset funding shortfalls in the Senior Living Trust Fund and the Hospital Trust Fund. Assumes no provider rate increases and no change in eligibility or benefits. Includes a decrease of \$5.9 million for savings from the Iowa Medicaid Enterprise. Assumes a \$29.4 million payment to the federal government for the Medicare Part D "Clawback" payment related to dual eligibles. This is offset by a decrease in prescription drug costs for this population, for a net impact of approximately \$0. The Department of Human Services (DHS) identified an additional \$78.4 million in unfunded needs. In total, DHS projects an increase of \$108.6 million for FY 2006.
Health Insurance Premium Pmt.	614,456	614,457	1	Technical adjustment.
Medical Contracts	9,725,035	14,711,985	4,986,950	Reflects increased contract requirements for the new Iowa Medicaid Enterprise contracts. This increased cost is offset by \$5.9 million in contractually required savings in the Medical Assistance budget.
State Children's Health Insurance Program	12,118,275	18,536,256	6,417,981	Includes an increase of \$2.6 million to replace a one-time balance from the Healthy and Well Kids in Iowa (<i>hawk-i</i>) Trust Fund and an increase \$3.8 million for caseload growth. DHS identified an additional \$2.9 million in unfunded need to fully fund FY 2006 caseload growth and reduced federal funds.
State Supplementary Assistance	19,273,135	19,273,135	0	

Health and Human Services Appropriation Subcommittee
FY 2006 General Fund Requests

	<u>Estimated FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs. FY 2005</u>	<u>Description of Changes</u>
County Hospitals	200,000	0	-200,000	Eliminates one-time funding.
Total Medical Services	394,740,969	436,122,010	41,381,041	
Child and Family Services				
Child Care Services	5,050,752	5,050,752	0	
Toledo Juvenile Home	6,086,368	6,196,368	110,000	An increase for substance abuse counseling.
Eldora Training School	9,614,223	9,822,223	208,000	An increase for substance abuse counseling.
Child and Family Services	97,457,784	79,688,976	-17,768,808	A decrease of \$29.0 million to transfer funds to provide a separate appropriation for Subsidized Adoption, an increase of \$2.2 million to replace one-time funds carried over from FY 2004, an increase of \$8.2 million to replace one-time TANF funds, an increase of \$440,000 for changes in the Federal Matching Assistance Percentage (FMAP) rate, and an increase of \$364,000 to maintain foster family care and independent living rates at the levels required by the <u>Code of Iowa</u> .
Adoption Subsidy	0	32,275,732	32,275,732	An increase of \$29.0 million due to the transfer of funds from the Child and Family Services appropriation, an increase of \$2.3 million to fund projected caseload growth at an additional average of 48 cases per month, an increase of \$239,000 for changes in the FMAP rate, and an increase of \$722,000 to maintain adoption subsidy maintenance rates at the levels required by the <u>Code of Iowa</u> .
Family Support Subsidy	1,936,434	1,936,434	0	
Total Child and Family Services	120,145,561	134,970,485	14,824,924	
MH/MR/DD/BI				
Connors Training	42,623	42,623	0	
Cherokee MHI	12,977,349	12,977,349	0	
Clarinda MHI	7,435,466	7,435,466	0	
Independence MHI	17,312,385	17,312,385	0	
Mt. Pleasant MHI	6,127,627	6,127,627	0	
Glenwood Resource Center	8,647,284	12,713,703	4,066,419	To retain the Intermediate Care Facilities for the Mentally Retarded (ICF/MR) certification and comply with the federal Department of Justice settlement.
Woodward Resource Center	4,586,302	7,143,776	2,557,474	To retain the ICF/MR certification and comply with the federal Department of Justice settlement.
MI/MR State Cases	11,014,619	11,014,619	0	
MH/DD Community Services	17,757,890	17,757,890	0	

Health and Human Services Appropriation Subcommittee
FY 2006 General Fund Requests

	Estimated FY 2005	Dept Request FY 2006	FY 2006 vs. FY 2005	Description of Changes
Personal Assistance	205,748	151,763	-53,985	To reflect the continuation of the phase-out of the Program based upon five fewer individuals being served.
Sexual Predator Civil Commit.	2,844,232	3,869,232	1,025,000	To provide additional staffing and treatment at the Program.
MH/DD Growth Factor	23,738,749	23,738,749	0	Does not include the SF 2298 (FY 2005 Omnibus Appropriations Act) enacted FY 2006 appropriation increase of \$4.8 million.
Total MH/MR/DD/BI	112,690,274	120,285,182	7,594,908	
Managing and Delivering Serv.				
Field Operations	53,436,313	53,436,313	0	
General Administration	13,298,812	13,626,797	327,985	To replace FY 2005 funding used for salary adjustment.
Volunteers	109,568	109,568	0	
Total Manag. & Delivering Serv.	66,844,693	67,172,678	327,985	
Total Dept. of Human Services	\$ 741,252,513	\$ 806,819,917	\$ 65,567,404	
<u>Commission of Veterans Affairs</u>				
Commission of Veterans Affairs	\$ 295,717	\$ 295,717	\$ 0	
Iowa Veterans Home	16,271,573	16,271,573	\$ 0	
Total Comm. of Veterans Affairs	\$ 16,567,290	\$ 16,567,290	\$ 0	
Total Health & Human Services	\$ 784,746,323	\$ 850,313,727	\$ 65,567,404	

**Health and Human Services Appropriation Subcommittee
FY 2006 Other Fund Requests**

	<u>Estimated FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs. FY 2005</u>	<u>Description of Changes</u>
<u>Department of Elder Affairs</u>				
Senior Living Program - SLTF	\$ 8,222,118	\$ 8,222,118	\$ 0	
<u>Dept. of Public Health - GTF</u>				
Gambling Treatment - Substance Abi	\$ 1,690,000	\$ 1,690,000	\$ 0	
Gambling Treatment Program	4,210,810	4,210,810	0	
Total Gambling Treatment	\$ 5,900,810	\$ 5,900,810	\$ 0	
<u>Dept. of Public Health - HITT</u>				
Tobacco Use Prev./Control-HITT	\$ 5,011,565	\$ 5,011,565	\$ 0	
Smoking Cessation Prod.- HITT	75,000	75,000	0	
Substance Abuse-HITT	11,800,000	11,800,000	0	
Healthy Iowans 2010 - HITT	2,346,960	3,022,960	676,000	Increase includes transfers from various appropriations, including the Defibrillator Grant Program (\$250,000), the Center for Congenital & Inherited Disorders (\$26,000), and the Substance Abuse Prevention Mentoring Program (\$400,000).
Autom. Extern. Defib. Grant - HITT	250,000	0	-250,000	The decrease is due to the transfer of funding to the Healthy Iowans 2010 appropriation.
Congenital & Inherited Disord. - HITT	26,000	0	-26,000	The decrease is due to the transfer of funding to the Healthy Iowans 2010 appropriation.
Sub. Abuse Prev./Mentor - HITT	400,000	0	-400,000	The decrease is due to the transfer of funding to the Healthy Iowans 2010 appropriation.
Total HITT	\$ 19,909,525	\$ 19,909,525	\$ 0	
Total Dept. of Public Health	\$ 25,810,335	\$ 25,810,335	\$ 0	
<u>Department of Human Services</u>				
<u>Medical Services</u>				
Phys Et Al Provider Inc-HITT	\$ 8,095,718	\$ 8,095,718	\$ 0	
Dental Provider Inc-HITT	3,814,973	3,814,973	0	
Hospital Provider Inc-HITT	3,035,278	3,035,278	0	
Home Hlth Care Prov Inc-HITT	2,108,279	2,108,279	0	
Critical Access Hospitals-HITT	250,000	250,000	0	
Home Hlth & Hab. Day Care Exp.	1,975,496	1,975,496	0	
Respite Care Expansion-HITT	1,137,309	1,137,309	0	
CHIP Exp. to 200% of FPL-HITT	200,000	200,000	0	
Breast Cancer Treatment - HITT	250,000	250,000	0	
Med Assist Supplemental-HITT	14,346,750	14,346,750	0	
Medicaid Supplemental - SLTF	101,600,000	96,005,628	-5,594,372	The decrease is due to a shortfall in the Senior Living Trust Fund. This is offset by a General Fund increase.
LTC Prov. Rate/Meth. Chg. - SLTF	29,950,000	29,950,000	0	
NF Conversion Grants - SLTF	20,000,000		-20,000,000	The decrease is due to a shortfall in the Senior Living Trust Fund.

**Health and Human Services Appropriation Subcommittee
FY 2006 Other Fund Requests**

	Estimated FY 2005	Dept Request FY 2006	FY 2006 vs. FY 2005	Description of Changes
Med Supp, Alt. Serv, Admin - SLTF	1,733,406	1,733,406	0	
Medicaid-Hospital Trust Fund	37,500,000	22,900,000	-14,600,000	The decrease is due to decreased revenue to the Hospital Trust Fund. Hospital discharges decreased in FY 2003, which lowered the revenue to the fund in FY 2004 and FY 2005.
Total Medical Services	225,997,209	185,802,837	-40,194,372	
Child and Family Services				
RTSS Provider Increase-HITT	3,243,026	3,243,026	\$ 0	
Adoption & Shelter Care-HITT	468,967	468,967	0	
Provider Rate/Meth Chgs-HITT	545,630	545,630	0	
Total Child and Family Serv.	4,257,623	4,257,623	0	
MH/MR/DD/BI				
POS Provider Increase-HITT	146,750	146,750	\$ 0	
Total MH/MR/DD/BI	146,750	146,750	0	
DHS Admin				
DHS Admin	274,000			
Total DHS Admin	274,000	0	0	
TANF				
FIP	45,277,569	45,277,569	0	
Promise Jobs	13,412,794	13,412,794	0	
Field Operations	16,280,254	16,702,033	421,779	The increase offsets a decrease in Federal Social Services Block Grant funds.
General Admin	3,660,030	3,730,547	70,517	The increase offsets a decrease in Federal Social Services Block Grant funds.
Local Admin	2,136,565	2,181,296	44,731	The increase offsets a decrease in Federal Social Services Block Grant funds.
State Day Care	18,073,746	14,556,560	-3,517,186	The decrease is due to increased federal funds.
Child and Family Services	33,475,728	25,338,815	-8,136,913	The decrease is due to depletion of one-time funds used in FY 2004.
Child Abuse Prevention	250,000	250,000	0	
Pregnancy Prevention	2,514,413	2,520,037	5,624	The increase offsets a decrease in Federal Social Services Block Grant funds.
Training and Technology	1,037,186	1,037,186	0	
HOPES	200,000	200,000	0	
0-5 Children	7,350,000	7,350,000	0	
Child Support Recovery	200,000	200,000	0	
MH/DD Community Services	4,500,610	4,998,979	498,369	The increase offsets a decrease in Federal Social Services Block Grant funds.
Total TANF	148,368,895	137,755,816	-10,613,079	
Total Dept. of Human Services	\$ 230,401,582	\$ 190,207,210	\$ -40,194,372	
Total Health & Human Services	\$ 264,434,035	\$ 224,239,663	# \$ -40,194,372	

Issues

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

➤ **Medical Assistance (Medicaid) Program** – There are several issues facing the Medicaid Program:

- ◆ The Medicaid Program has an estimated shortfall of between \$52.0 and \$85.0 million in FY 2005 and an estimated need of between \$82.0 million and \$130.0 million for FY 2006. It was known when the FY 2005 appropriation was enacted that a supplemental would be required.



- ◆ Of the total Medicaid budget, \$134.3 million (23.6%) is funded from a one-time balance in the Senior Living Trust Fund. The balance will be depleted at the end of FY 2006, and a shortfall of \$10.4 million is anticipated. The estimated shortfall is \$123.9 million in FY 2007, prior to inflation or caseload increases.

- ◆ The Medicaid budget is based on \$66.1 million in revenue from Intergovernmental Transfers (IGTs). The federal Centers for Medicare and Medicaid Services (CMS) have taken action over the past year to end this practice in FY 2006. If Iowa loses its IGT revenue, the estimated shortfall for FY 2006 increases to \$148.1 million to \$196.1 million. (See the separate article on Medicaid in the Statewide Issues Section of this document).

➤ **Iowa Medicaid Enterprise** – The new contractors under the Iowa Medicaid Enterprise begin operation on July 1, 2005. The Iowa Medicaid Enterprise is a new contractual arrangement for the administration of the Medicaid Program using eight separate contractors rather than one contractor. The new contracts require an increased level of service from the contractors and new performance based criteria. The estimated increase in cost for the contracts is \$5.0 million, which is offset by anticipated savings of \$5.9 million in the Medicaid budget.

➤ **Use of One-Time Funds for Child and Family Services** – For FY 2005, the Child and Family Services appropriation included two sources of one-time funds. This included \$8.2 million in Temporary Assistance to Needy Families (TANF) funds that replaced General Funds for decategorization (decat) services and for delinquency programs, including adolescent tracking and monitoring, skill development, school-based liaisons, and supervised community treatment. In addition, \$2.2 million in General Funds appropriated for the child welfare redesign were permitted to carry over from FY 2004 to be used to offset the need for services in FY 2005. Both funding sources will not be available in FY 2006.



➤ **Update of Child Welfare and Juvenile Justice System Redesign** – The Subcommittee may wish to review the status of the implementation of several initiatives that are the result of the Child Welfare Redesign Project, “Better Results for Kids.” These include the Community Partnership for Protecting Children, Community Care, the Minority Family Initiative, family team meetings, family-centered flexible services, Title IV-E Waiver, provider performance measures, streamlining DHS and provider documentation paperwork, and quality assurance.

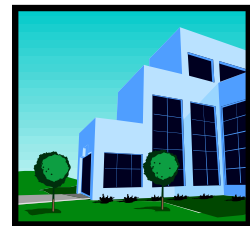
➤ **Funding Increases Not Funded in FY 2006 Budget Request** – The DHS identified funding increases totaling \$85.6 million that would not be funded under the Department’s FY 2006 budget request. The significant amounts include:

■ Economic Assistance:

- ◆ Family Investment Program (FIP) – \$2.6 million related to reduced Child Support recoveries if increases for the Child Support Recovery Unit are not approved. Child Support recoveries for FIP parents are used to offset the General Fund FIP appropriation.
- ◆ Child Support – \$1.9 million to fill 102.3 positions and fund inflationary increases and caseload growth. This would result in \$2.7 million in increased FIP collections, \$520,000 for the foster care program, and \$69.9 million in additional collections for families and other states.

■ Medical Services:

- ◆ Medical Assistance (Medicaid) – \$78.4 million for increases in enrollment and the cost of services.
- ◆ Health Insurance Premium Payment Program – \$14,000 for salary adjustment funding.
- ◆ Healthy and Well Kids Iowa (*hawk-i*) – \$2.9 million for increases in enrollment and the cost of services.
- ◆ State Supplementary Assistance – \$534,000 for caseload growth and a 2.1% cost of living increase from the Social Security Administration.



■ Child Welfare:

- ◆ Toledo Juvenile Home – \$310,000 for salary adjustment funding and inflationary costs.
- ◆ Eldora Training Center – \$500,000 for salary adjustment funding and inflationary costs.
- ◆ Child and Family Services – \$1.0 million for child support collections for foster care.
- ◆ Family Support Subsidy – \$135,000 for a cost of living increase.

■ Mental Health/Mental Retardation/Developmental Disabilities/Brain Injury:

- ◆ State Cases Program – \$1.3 million for caseload growth of the Program.
- ◆ Mental Health Institutes Inflation – \$1.8 million for inflationary costs and replacement of transferred FY 2005 salary funding.
- ◆ State Cases – \$366,000 for an increase of 38 persons with mental illness served and the monthly average cost for the 1,900 persons would increase by \$9.00.
- ◆ Sexual Predator Commitment Program – \$710,000 for an increase of eight clients in FY 2006 and \$147,000 for inflation.
- ◆ Mental Health Allowed Growth – \$4.8 million. This assumes continuation of the amount enacted for FY 2006 in SF 2298 (FY 2005 Omnibus Appropriations Act), which the DHS did not request.



■ Administration:

- ◆ Field Operations – \$1.9 million for 42.5 FTE positions for additional staff, \$1.0 million to replace carried forward FY 2005 federal funds, and \$5.5 million for the federal Medicare Part D Subsidy Program. For purposes of the estimated need for FY 2006 Medicaid expenditures, the LSA has incorporated an estimated need for this issue.
- ◆ General Administration – \$422,000 for continuing 11.5 FTE positions.

➤ **Mental Health Funding Inflation** – The General Assembly is scheduled to consider a mental health allowed growth factor for FY 2007. The 2004 General Assembly enacted a modification of the FY 2005 allowed growth factor with the FY 2005 distribution based on the balances of the individual 99 county Mental Retardation and Developmental Disabilities Services Funds and other factors. The General Assembly may wish to review the distribution of the FY 2005 allowed growth amounts and the expected balances of the county fund balances when determining the growth factor for FY 2006.

➤ **Commission on Veterans Affairs** – For FY 2004, the General Assembly provided an increase of \$100,000 and 2.0 FTE positions to allow the Commission to assist additional veterans in applying for federal benefits. The Commission reported that increased access to federal benefits would decrease the need for veterans to access Medicaid services both by increasing the income of veterans and allowing them to access services available through the Veterans Administration. The Commission expended less than \$10,000 of the funds for this purpose. For FY 2005, the General Assembly provided \$100,000 to be contracted with Retired Senior Volunteer Programs (RSVPs) for increasing the number of veterans applying for pensions. The Commission contracted only \$50,000 with three RSVPs.



Issue Reviews

The LSA completed the following **Issue Review** related to the Health and Human Services Appropriations Subcommittee during the 2004 Legislative Interim that is available on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb/ireview/ireview.htm>.

- [Adoption Subsidy Program](#)
- [Medicaid Funding Growth - FY 2005 through FY 2007](#)
- [Medicaid Intergovernmental Transfers](#)

Topic Presentations

The LSA maintains and updates **Topic Presentations** available on the LSA web site at <http://staffweb.legis.state.ia.us/lfb/pptpres/pptpres.htm>. Presentations relating to the Health and Human Services Subcommittee include:

- [Childhood Lead Poisoning](#)
- [Community Empowerment](#)
- [Health and Human Services Appropriations Subcommittee](#)

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- [Healthy Opportunities for Parents to Experience Success \(HOPES\) Program/Healthy Families Iowa \(HFI\)](#)
 - [Maternal and Child Health Services](#)
 - [Medicaid Overview](#)
 - [Medicaid Waivers](#)
 - [Mental Health Funding](#)
 - [State Children's Health Insurance Program \(SCHIP\)](#)
 - [Senior Living Trust Fund](#)

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JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE

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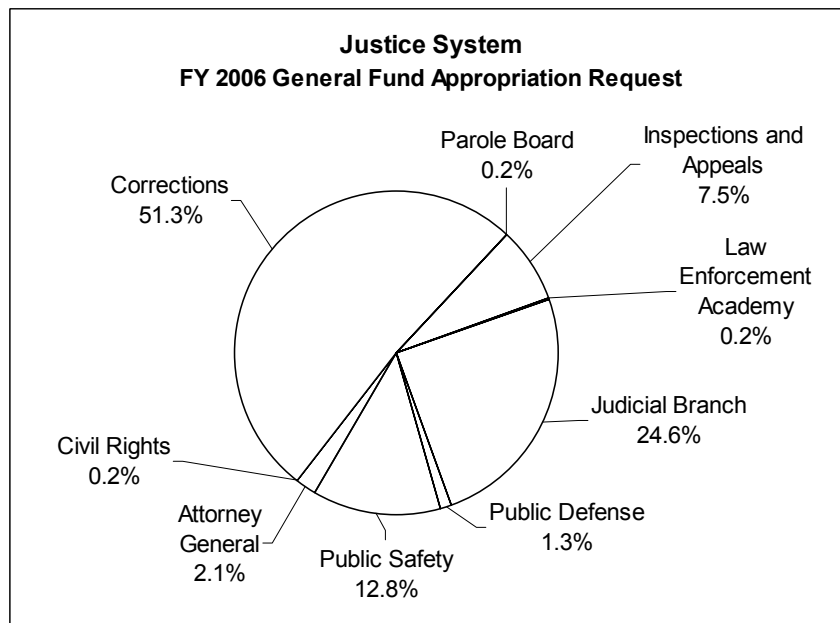
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**Justice System
FY 2006 General Fund Appropriation Request**

Attorney General	\$ 11,172,630
Civil Rights	856,815
Corrections	271,833,770
Inspections and Appeals	39,599,489
Judicial Branch	130,630,340
Law Enforcement Academy	1,073,953
Parole Board	1,071,946
Public Defense	6,240,407
Public Safety	67,897,515
Total	<u><u>\$ 530,376,865</u></u>

Justice System Appropriation Subcommittee
FY 2006 General Fund Requests

	<u>Estimated Net</u> <u>FY 2005</u>	<u>Dept Request</u> <u>FY 2006</u>	<u>FY 2006 vs.</u> <u>FY 2005</u>	<u>Description</u> <u>of Changes</u>
<u>Department of Justice</u>				
General Office A.G.	\$ 7,765,197	\$ 8,358,197	\$ 593,000	An increase for Legal Services Poverty Grants.
Consumer Advocate	2,809,433	2,809,433	0	
Victim Assistance Grants	5,000	5,000	0	
Total Department of Justice	<u>\$ 10,579,630</u>	<u>\$ 11,172,630</u>	<u>\$ 593,000</u>	
<u>Civil Rights Commission</u>				
Civil Rights Commission	\$ 856,815	\$ 856,815	\$ 0	
<u>Department of Corrections</u>				
<u>Corrections Institutions</u>				
Ft. Madison Inst.	\$ 38,145,852	\$ 38,145,852	\$ 0	
Anamosa Inst.	26,998,901	26,998,901	0	
Oakdale Inst.	23,610,727	23,610,727	0	
Newton Inst.	24,616,853	24,616,853	0	
Mt Pleasant Inst.	22,545,883	22,545,883	0	
Rockwell City Inst.	7,792,993	7,792,993	0	
Clarinda Inst.	22,578,749	22,578,749	0	
Mitchellville Inst.	13,239,137	13,239,137	0	
Ft. Dodge Inst.	25,968,406	25,968,406	0	
Total Corrections Institutions	<u>205,497,501</u>	<u>205,497,501</u>	<u>0</u>	
<u>Corrections Central Office</u>				
County Confinement	674,954	674,954	0	
Federal Prisoners/Contractual	241,293	241,293	0	
Central Office Corrections	2,828,216	2,828,216	0	
Corrections Education	1,008,358	1,008,358	0	
Iowa Corr. Offender Network	427,700	427,700	0	
Total Corrections Central Office	<u>5,180,521</u>	<u>5,180,521</u>	<u>0</u>	
<u>CBC Districts</u>				
CBC District I	10,113,032	10,113,032	0	
CBC District II	7,772,849	7,772,849	0	
CBC District III	4,640,744	4,640,744	0	
CBC District IV	4,256,613	4,256,613	0	
CBC District V	13,009,486	13,009,486	0	
CBC District VI	10,087,064	10,087,064	0	
CBC District VII	5,689,384	5,689,384	0	
CBC District VIII	5,586,576	5,586,576	0	
Total CBC Districts	<u>61,155,748</u>	<u>61,155,748</u>	<u>0</u>	
Total Department of Corrections	<u>\$ 271,833,770</u>	<u>\$ 271,833,770</u>	<u>\$ 0</u>	

**Justice System Appropriation Subcommittee
FY 2006 General Fund Requests**

	<u>Estimated Net FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs. FY 2005</u>	<u>Description of Changes</u>
<u>Department of Inspections and Appeals</u>				
Public Defender	\$ 16,852,292	\$ 18,436,407	\$ 1,584,115	An increase to fund currently authorized positions.
Indigent Defense Appropriation	19,355,297	21,163,082	1,807,785	An increase to fund projected claims.
Total Dept. of Inspections & Appeals	<u>\$ 36,207,589</u>	<u>\$ 39,599,489</u>	<u>\$ 3,391,900</u>	
<u>Judicial Branch</u>				
Judicial Branch	\$ 118,000,337	\$ 125,650,923	\$ 7,650,586	An increase of \$2.8 million to lift the eight unpaid leave and court closure days in FY 2005, and restore travel and education funds. An increase of \$1.1 million to fund all currently authorized positions. An increase of \$336,000 to fund ongoing operating costs of the new Judicial Building. An increase of \$1.0 million to fund ongoing operating costs of the Iowa Court Information System from the General Fund rather than the Enhanced Court Collections Fund. \$2.1 million to add 41.0 FTE positions across the State. \$416,000 for furnishings and equipment for the Dickinson County courthouse and other courthouses, increased costs of reimbursement to the Department of Administrative Services, and membership in the Consortium for State Court Interpreter Certification.
Judicial Retirement	2,039,664	4,979,417	2,939,753	An increase to fund the employer's share at 23.7% of covered salaries, pursuant to current law.
Total Judicial Branch	<u>\$ 120,040,001</u>	<u>\$ 130,630,340</u>	<u>\$ 10,590,339</u>	
<u>Law Enforcement Academy</u>				
Operations	\$ 1,073,953	\$ 1,073,953	\$ 0	
<u>Board of Parole</u>				
Parole Board	\$ 1,071,946	\$ 1,071,946	\$ 0	
<u>Department of Public Defense</u>				
Military Division	\$ 5,117,007	\$ 5,117,007	\$ 0	
Homeland Security & Emer. Mgmt Div	1,169,860	1,123,400	-46,460	The decrease is due to an omission of the DAS distribution amount in the Department Request submitted to DOM.
Total Department of Public Defense	<u>\$ 6,286,867</u>	<u>\$ 6,240,407</u>	<u>\$ -46,460</u>	

Justice System Appropriation Subcommittee
FY 2006 General Fund Requests

	<u>Estimated Net FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs. FY 2005</u>	<u>Description of Changes</u>
<u>Department of Public Safety</u>				
Public Safety Administration	\$ 3,035,711	\$ 3,035,711	\$ 0	
Investigation, DCI	14,058,510	14,595,454	536,944	An increase of \$250,000 for crime lab supplies. An increase of \$286,944 and 3.0 FTE positions for special agents to cover the potential addition of table games at the three racetrack sites in Iowa.
Narcotics Enforcement	3,930,089	3,930,089	0	
Undercover Funds	123,343	123,343	0	
Fire Marshal	2,181,998	2,181,998	0	
Fire Service	638,021	638,021	0	
Iowa State Patrol	42,517,133	42,517,133	0	
DPS/SPOC Sick Leave Payout	316,179	316,179	0	
Fire Fighter Training	559,587	559,587	0	
Total Department of Public Safety	<u>\$ 67,360,571</u>	<u>\$ 67,897,515</u>	<u>\$ 536,944</u>	
Total Justice System	<u>\$ 515,311,142</u>	<u>\$ 530,376,865</u>	<u>\$ 15,065,723</u>	

Issues

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

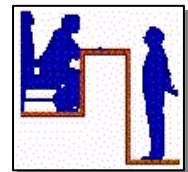
Department of Justice

- ▶ **Victim Compensation Fund** – Based on actuarial studies in other states, at least \$4.6 million should be held in reserve so the Fund remains actuarially sound. This amount provides a six-month reserve for victim claims and operations in case of a catastrophic event, such as the Oklahoma City bombing. The FY 2004 ending balance is projected to be \$3.7 million, which is less than the recommended level.

The Department is maintaining a three-month reserve in FY 2005, so that funds may be transferred to Victim Assistance Grants. The Victim Assistance Grants Program awards funds to service providers for victims of rape, sexual assault, and domestic abuse. Two domestic violence shelters closed in FY 2003 due to financial problems. The Subcommittee may want to review alternatives for either increasing receipts or decreasing expenditures for the Victim Compensation Fund.

- ▶ **Victim Assistance Grants** – The Victim Assistance Grants Program awards funds to agencies that provide services to victims of rape, sexual assault, and domestic abuse. Federal funds received for Victim Assistance Grants have been steadily declining over the last three fiscal years, from \$7.1 million in FY 2003 to \$6.3 million in FY 2005. Receipts have declined from all three federal sources: Victims of Crime Act (VOCA), Violence Against Women Act (VAWA), and the Family Violence Prevention and Services Act. The FY 2005 General Fund allocation (\$35,000) provides the required match for administrative costs of the Violence Against Women Act (\$30,000) and grants to service providers (\$5,000). The General Fund appropriation for Victim Assistance Grants peaked in FY 2001 at \$1,935,806. The Department transferred \$2.3 million from the Victim Compensation Fund to Victim Assistance Grants in FY 2005, pursuant to Section 915.94, Code of Iowa. It is unlikely the Victim Compensation Fund will be able to support the FY 2005 funding level for Victim Assistance Grants in future fiscal years. The Subcommittee may want to review funding options.

- ▶ **Legal Services Poverty Grants** – Chapter 13, Code of Iowa, requires the Attorney General's Office to contract with a nonprofit corporation to provide legal counsel to indigent people in civil matters. The Attorney General's Office contracted with Iowa Legal Aid for the services. The Program was first funded in FY 1997 with a \$950,000 General Fund appropriation. The General Fund appropriation was eliminated in FY 2004; Iowa Legal Aid received \$593,000 from the Civil Reparation Trust Fund. Iowa Legal Aid received \$200,000 from the Civil Reparations Trust Fund in FY 2005, plus \$393,000 from the Attorney General's Office. The Office is requesting \$593,000 from the General Fund in FY 2006 for the Program. The Subcommittee may want to review funding sources for the program.



Department of Corrections

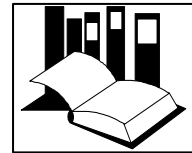
- ▶ **Prison Population Growth** – The Iowa prison population is currently 8,539 inmates, which is 122.2% of current design capacity. The Criminal and Juvenile Justice Planning Division of the Department of Human Rights projects the population to reach 10,582 inmates by FY 2014, if current sentencing policies and laws remain in place. If the inmate population reaches 10,582, three new 800-bed prisons will need to be built at a cost of \$50.0 million for each prison. Each prison will incur annual operating costs of approximately \$28.0 million, if they operate at full capacity. Please review the Issue Review entitled "[Overview of the State Corrections System](#)" for more information. The Subcommittee may want to examine alternatives to building new prisons.



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- ▶ **Mental Health** – Currently, approximately 20.0% of offenders in prison have a mental health condition. The Department is working with the University of Iowa School of Medicine and the Iowa Consortium of Mental Health Board to improve services to a growing number of mentally ill inmates. The Department is constructing a 170-bed Special Needs Unit at the Iowa Medical Classification Center at Oakdale to comply with a federal court order relating to mentally ill inmates. The facility is expected to open in FY 2007. The Subcommittee may want to review this issue with the Department, including the projected operating budget for the facility, the use of this facility in conjunction with the Clinical Care Unit at Fort Madison, and the projected needs of mentally ill inmates. Please review the Issue Review entitled “[Medical Costs of the State Prison System](#)” for more information

 - ▶ **Inmate Employment** – The DOC uses a variety of methods to meet Iowa’s Hard Labor Law (Section 904.701, Code of Iowa). Inmates are employed in the Institutions, e.g., working in the kitchen or laundry. They are also employed on the prison farms, by private sector businesses, and in traditional Iowa Prison Industries jobs. Several Institutions provide community work crews, where the inmates work on projects that benefit local governments and nonprofit organizations. Inmates are also used by State agencies, such as the Department of Natural Resources and the Department of Transportation. House File 2367 (Corrections Omnibus Act), enacted during the 2004 Legislative Session, permits the Department to charge agencies a fee for the use of inmate labor. The waivable fee ranges from \$3.00 to \$5.00 per day per inmate, depending upon services provided by the receiving agency, such as transportation and meals. The stipend is used to offset the costs of inmate labor, such as transportation and inmate personal safety equipment. The Subcommittee may wish to learn more about the type and amount of work performed by inmates and funding generated by the new agency fee.

 - ▶ **Prison Education** – The General Fund appropriation for inmate education peaked in FY 2001 at \$3.3 million. The FY 2005 General Fund appropriation is \$1.0 million, which is a decrease of \$2.3 million (69.4%) compared to FY 2001. Since FY 2001, the DOC is relying on other funding sources, such as carryover funding from the previous year’s appropriation, Institution Canteen receipts, and the Telephone Rebate Fund, to provide adult basic education, high school equivalent, and vocational courses through the community college system. Literacy is a significant problem that limits employment for the inmate population, and the Department has focused educational resources on literacy for the past several years. Research suggests inmate education increases employability of released inmates and reduces recidivism. Vocational education is provided primarily in conjunction with Prison Industries. The Subcommittee may want to examine the effectiveness of funding streams for prison education.



Judicial Branch

- ▶ **Judicial Retirement** – The Judicial Retirement Fund contribution rate is set at 23.7% in Section 602.9104(4)(b), Code of Iowa. According to the most recent actuarial report, the Judicial Retirement Fund is 79.0% funded. The judge’s contribution rate is set in the Code and was increased from 4.0% to 5.0% as of July 1, 2000. There are currently 193 active members participating in the Judicial Retirement Fund. There are nine inactive vested members, 103 retirees and Senior Judges, and 38 surviving spouses. Senate File 2298 (FY 2005 Omnibus Appropriations Act) notwithstanding the Code of Iowa to lower the employer contribution rate to the Judicial Retirement Fund from 23.7% to 9.7%. The FY 2005 General Fund appropriation to the Judicial Retirement Fund was \$2.0 million. For FY 2005, covered payroll is currently estimated at \$21.0 million. If the Judicial Retirement Fund was funded at the statutory requirement of 23.7%, the appropriation would be \$5.0 million.

Department of Public Safety

- ▶ **Iowa State Patrol Vehicle Depreciation** – The State Vehicle Dispatcher recommends that vehicles in the Department of Public Safety be replaced when they have reached 92,000 miles. Currently, vehicles are being replaced at 130,000 miles. High mileage vehicles result in down time for repairs and may create unsafe situations. The scheduled replacement of Iowa State Patrol vehicles is 125

vehicles per year or 30.0% of the fleet. The balance in the Department of Public Safety's accumulated depreciation account is \$1.9 million, of which \$1.5 million is for the Iowa State Patrol. For FY 2005, Public Safety is planning on ordering approximately 95 cars, which is 30 fewer cars than what is needed to maintain the current fleet numbers.

▶ **Division of Criminal Investigation Appropriation Increase** – The Division of Criminal Investigation (DCI) is requesting an increase of \$536,944 and 3.0 FTE positions compared to estimated FY 2005.

◆ The DCI is requesting \$250,000 for supplies (chemicals, gloves, cotton swabs, and other expendables) necessary to the operation of the crime lab in Ankeny. The new lab is scheduled to open in December 2004. These expendables were previously covered by a federal grant that expires in December 2004. In FY 2005, Public Safety received an increase in funding of \$250,000 for crime lab replacement funding in SF 2298 (FY 2005 Omnibus Appropriations Act). This money would be used to pay for crime lab expendables once the CLIP grant ends in December.

◆ The DCI is also requesting \$286,944 and 3.0 FTE positions for special agents at all three racetracks (Prairie Meadows, Dubuque, and Council Bluffs), assuming table games are added. This amount would cover the additional FTE positions as well as the training, equipment, supplies, and the additional background and criminal investigations that accompany allowing table games at the tracks. Currently, only Prairie Meadows has applied for a license to include table games. The other two tracks have until June 1, 2005, to receive an expanded gaming license. After that date, the provisional period for expanded gaming expires.

Iowa Law Enforcement Academy

▶ **Law Enforcement Academy Class Sizes and Appropriations:** At the end of FY 2004, the Iowa Law Enforcement Academy (ILEA) needed an appropriation transfer of \$150,000 to close the 2004 books. Class enrollments in 2004 were down compared to previous years. The average class size for an Academy is 42 students and six Basic Academy's are offered a year. In FY 2004, there were five Basic classes offered and the average number of students was 32. Fiscal Year 2004 had a decrease of \$269,315 in revenue due to a decrease in the number of students and a lower tuition rate per student compared to FY 2003. The ILEA is currently surveying local governments to determine the reasons for the reductions in staff training. Results of that survey should be available in January 2005.

For FY 2005, notwithstanding language (Section 80B.11B(2), Code of Iowa) in SF 2298 (FY 2005 Omnibus Appropriations Act) allowed ILEA to charge more than 50.0% of the cost of tuition to help offset a potential revenue shortfall. The General Fund appropriation to ILEA for FY 2005 was \$1,066,890, which was a decrease of \$2,696 compared to FY 2004. Tuition for FY 2005 will be 65.0% of cost or \$2,650 per person. This is an increase of \$565 per person compared to the tuition rate for FY 2004. The Subcommittee may wish to discuss the estimated FY 2006 tuition rates with ILEA during the Subcommittee process.

Public Defender and Indigent Defense Program

▶ **Caseloads** – The Office of the State Public Defender expended \$39.0 million in total funds during FY 2004, an increase of \$2.7 million (7.3%) compared to FY 2003. Costs for this constitutionally mandated program have been steadily increasing due to the increase in cases and claims. Since FY 1994, the average annual increase in spending has been 8.6%. From FY 1994 to FY 2004, the number of attorney claims for reimbursement from the Indigent Defense Fund has increased 160.8%, while the number of cases handled by the Office of the State Public Defender increased 88.3%. The Subcommittee may want to examine the adequacy of staffing and funding.

Issue Reviews

The LSA completed four **Issue Reviews** during the 2004 legislative interim dealing with:

- [Methamphetamine Laboratories](#)
- [Enhanced 911 System](#)
- [Medical Costs of the State Prison System](#)
- [Overview of the State Corrections System](#)

Copies of the **Issue Reviews** are available on the LSA web site:
<http://staffweb.legis.state.ia.us/lfb/ireview/ireview.htm>.

Topic Presentations

The LSA maintains and updates **Topic Presentations** that are available on the LSA web site. Presentations relating to the Justice System Subcommittee include:

- [Justice System Appropriations Subcommittee](#)
- [Community-Based Corrections](#)
- [Crime Victim Assistance Division of the Department of Justice](#)
- [Iowa Law Enforcement Academy](#)
- [Iowa Prison System](#)
- [Legal Representation of Indigent Defendants](#)
- [Homeland Security and the Emergency Management Division](#)
- [Iowa Court System](#)
- [Methamphetamine Use in Iowa](#)

Copies of the **Topic Presentations** are available on the LSA web site:
<http://staffweb.legis.state.ia.us/lfb/pptpres/pptpres.htm>

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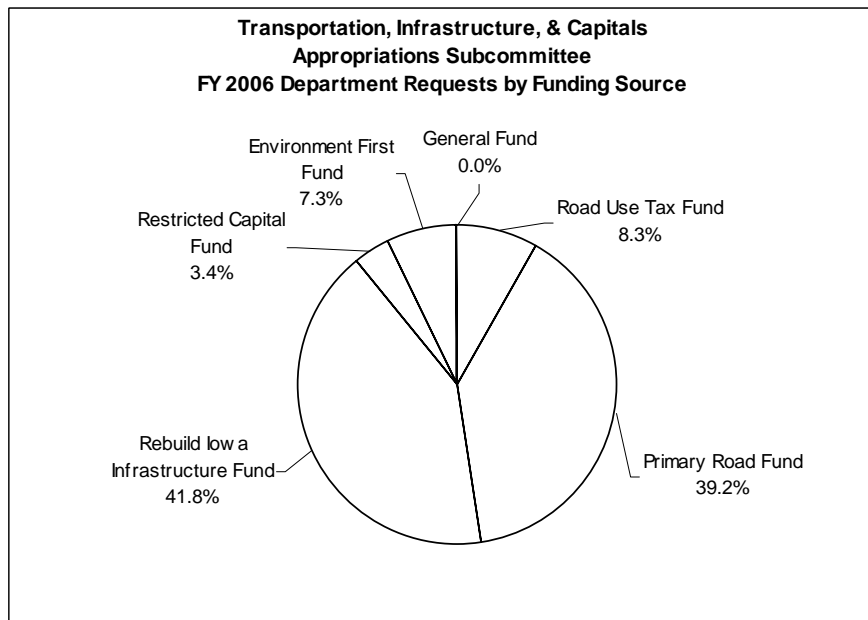
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FY 2006 Department Requests by Funding Source

Rebuild Iowa Infrastructure Fund	\$	259,002,826
Primary Road Fund		243,034,005
Road Use Tax Fund		51,357,699
Environment First Fund		45,550,000
Restricted Capital Fund		20,849,063
General Fund		100,751
Total	\$	619,894,344

**Transportation, Infrastructure, and Capitals Appropriations Subcommittee
FY 2006 Department of Transportation Requests**

	Estimated Net FY 2005	Dept Request FY 2006	FY 2006 vs. FY 2005	Description of Changes
Programs				
Aviation Assistance				
General Fund	\$ 64,792	\$ 64,792	\$ 0	
Rail Assistance				
General Fund	35,959	35,959	\$ 0	
Total Programs	\$ 100,751	\$ 100,751	\$ 0	
Operations				
Operations				
Road Use Tax Fund	\$ 5,464,582	\$ 5,450,315	\$ -14,267	Increase of \$82,000 to transfer in 1.0 FTE from the Highway Division; increase of \$10,000 for lease inflationary increases and reduction in printing costs; decrease of \$382,000 for reduction in Information Technology support; decrease of \$130,000 for staff reduction in Office of Finance.
Primary Road Fund	33,886,242	33,480,509	-405,733	
Total	\$ 39,350,824	\$ 38,930,824	\$ -420,000	
Administrative Services				
Road Use Tax Fund	\$ 581,794	\$ 553,239	\$ -28,555	Decrease of \$107,000 for reduction in legal staff support from the Attorney General's Office; decrease of \$115,000 for elimination of 1.0 FTE from Director's staff due to the early-out retirement option.
Primary Road Fund	3,591,903	3,398,458	-193,445	
Total	\$ 4,173,697	\$ 3,951,697	\$ -222,000	
Planning				
Road Use Tax Fund	\$ 472,637	\$ 458,187	\$ -14,450	Increase of \$97,000 to transfer in 1.0 FTE from Highway Division; decrease of \$386,000 for overall staff and support reductions.
Primary Road Fund	8,980,115	8,705,565	-274,550	
Total	\$ 9,452,752	\$ 9,163,752	\$ -289,000	
Motor Vehicle				
Road Use Tax Fund	\$ 31,684,599	\$ 30,908,798	\$ -775,801	Decrease of \$716,000 and 24.0 FTE positions due to change in driver's license station business hours; decrease of \$126,000 due to reduction in contract programming.
Primary Road Fund	1,318,248	1,252,049	-66,199	
Total	\$ 33,002,847	\$ 32,160,847	\$ -842,000	
Highways				
Primary Road Fund	\$ 189,914,084	\$ 189,325,084	\$ -589,000	Increase of \$200,000 for materials and equipment operation expenses to maintain additional lane miles decrease of \$610,000 for elimination of 11.0 FTEs due to the early-out retirement option; decrease of \$82,000 to transfer 1.0 FTE to Operations and Finance Division (under Operations); decrease of \$97,000 to transfer 1.0 FTE to Modal Division (under Planning).
Total Operations	\$ 275,894,204	\$ 273,532,204	\$ -2,362,000	

**Transportation, Infrastructure, and Capitals Appropriations Subcommittee
FY 2006 Department of Transportation Requests**

	Estimated Net FY 2005	Dept Request FY 2006	FY 2006 vs. FY 2005	Description of Changes
Special Purpose				
Personnel Reimbursement				Decrease - appropriation replaced with new DAS Utility Services appropriation.
Road Use Tax Fund	\$ 37,500	\$ 0	\$ -37,500	
Primary Road Fund	712,500	0	-712,500	
Total	<u>\$ 750,000</u>	<u>\$ 0</u>	<u>\$ -750,000</u>	
DAS Utility Services				This request replaces the Personnel Reimbursement appropriation. In prior years, the DOT received appropriations from two separate Acts for personnel services: \$541,550 was appropriated from the Administration and Regulations Appropriations Act for FY 2005, and \$750,000 from the Transportation Appropriations Act, for appropriations totaling \$1.3 million in FY 2005. With the creation of the DAS, the DOT is now being billed by the DAS for personnel services as they are rendered. Beginning in FY 2006, the DAS Utility Services appropriation will be the only requested for these related services.
Road Use Tax Fund	\$ 0	\$ 121,000	\$ 121,000	
Primary Road Fund	0	743,000	743,000	
Total	<u>\$ 0</u>	<u>\$ 864,000</u>	<u>\$ 864,000</u>	
Auditor Reimbursement				Increase for State Auditor costs associated with performing the DOT's annual audit.
Road Use Tax Fund	\$ 54,314	\$ 55,160	\$ 846	
Primary Road Fund	336,036	338,840	2,804	
Total	<u>\$ 390,350</u>	<u>\$ 394,000</u>	<u>\$ 3,650</u>	
Unemployment Compensation				
Road Use Tax Fund	\$ 17,000	\$ 17,000	\$ 0	
Primary Road Fund	328,000	328,000	0	
Total	<u>\$ 345,000</u>	<u>\$ 345,000</u>	<u>\$ 0</u>	
Worker's Compensation				Increase for payment of workers' compensation costs due to increase in health claims.
Road Use Tax Fund	\$ 95,000	\$ 114,000	\$ 19,000	
Primary Road Fund	2,268,000	2,738,000	470,000	
Total	<u>\$ 2,363,000</u>	<u>\$ 2,852,000</u>	<u>\$ 489,000</u>	
Indirect Cost Recoveries				
Road Use Tax Fund	\$ 102,000	\$ 102,000	\$ 0	
Primary Road Fund	748,000	748,000	0	
Total	<u>\$ 850,000</u>	<u>\$ 850,000</u>	<u>\$ 0</u>	
Driver's License Equipment Lease				
Road Use Tax Fund	\$ 2,820,000	\$ 2,820,000	\$ 0	
County Treasurer Issuance				Increase of \$145,000 for increased technology costs to support the County Treasurers' automation system for issuing driver's licenses, vehicle registrations, and titles; increase of \$27,000 for State Auditor costs associated with fiscal impact study of the county issuance of driver's licenses.
Road Use Tax Fund	\$ 1,096,000	\$ 1,268,000	\$ 172,000	
511 Road/Weather Info. System				
Road Use Tax Fund	\$ 100,000	\$ 100,000	\$ 0	
I-35 Superhighway Coalition				No funding requested for FY 2006. This is a legislative initiative not annually requested by the DOT
Road Use Tax Fund	\$ 50,000	\$ 0	\$ -50,000	
Mississippi River Parkway Comm.				
Road Use Tax Fund	\$ 40,000	\$ 40,000	\$ 0	
Transportation Maps				
Primary Road Fund	\$ 275,000	\$ 275,000	\$ 0	
Hazardous Waste Management				
Primary Road Fund	\$ 800,000	\$ 800,000	\$ 0	
Field Facility Deferred Maintenance				
Primary Road Fund	\$ 351,500	\$ 351,500	\$ 0	
Total Special Purpose	<u>\$ 10,230,850</u>	<u>\$ 10,959,500</u>	<u>\$ 728,650</u>	

**Transportation, Infrastructure, and Capitals Appropriations Subcommittee
FY 2006 Department of Transportation Requests**

	Estimated Net FY 2005	Dept Request FY 2006	FY 2006 vs. FY 2005	Description of Changes
<u>Capitals</u>				
Motor Vehicle Building Road Use Tax Fund	\$ 0	\$ 9,350,000	\$ 9,350,000	New request which includes \$7.9 million for design and construction of a new Motor Vehicle Division Building and \$1.5 million for furnishings.
Utility Improvements Primary Road Fund	\$ 0	\$ 150,000	\$ 150,000	New request for costs associated with municipal water and sewer hookups and electrical upgrades at various locations statewide.
Garage Roofing Projects Primary Road Fund	\$ 0	\$ 150,000	\$ 150,000	New request for costs associated with replacing garage roofs at various locations statewide.
HVAC Improvements Primary Road Fund	\$ 0	\$ 250,000	\$ 250,000	New request for costs associated with heating, cooling, and exhaust system improvements at various locations statewide.
DOT Complex Projects Primary Road Fund	\$ 650,000	\$ 0	\$ -650,000	No funding requested for FY 2006.
Total Capitals	\$ 650,000	\$ 9,900,000	\$ 9,250,000	
Total	\$ 286,875,805	\$ 294,492,455	\$ 7,616,650	
<u>Totals by Funding Source</u>				
General Fund	\$ 100,751	\$ 100,751	\$ 0	
Road Use Tax Fund	42,615,426	51,357,699	8,742,273	
Primary Road Fund	244,159,628	243,034,005	-1,125,623	
Total Dept. of Transportation	\$ 286,875,805	\$ 294,492,455	\$ 7,616,650	

**Transportation, Infrastructure, and Capitals Appropriations Subcommittee
FY 2006 Capital Project Requests**

	Estimated Net FY 2005	Dept Request FY 2006	FY 2006 vs. FY 2005	Description of Changes
Administrative Services Capitals				
Rebuild Iowa Infrastructure Fund				
Statewide Routine Maintenance-RIIF	\$ 2,000,000	\$ 20,000,000	\$ 18,000,000	Request is based on 1.0% of building replacement value.
Statewide Major Maintenance-RIIF	4,300,000	20,000,000	15,700,000	Increase due to need greater than what has been traditionally appropriated.
Capitol Complex Electrical Dist. System Upgrade-RIIF	0	7,650,000	7,650,000	Replace aging electrical distribution system.
Pooled Technology-RIIF	1,861,496	7,243,848	5,382,352	For State agency technology purchases.
Capitol Interior-RIIF	0	6,630,600	6,630,600	Restore rotunda, east projection, and relocate cafeteria.
Capitol Complex Utility Tunnel-RIIF	0	6,000,000	6,000,000	For improvements to utility tunnels on the Capitol Complex.
Replace Court Ave Bridge-RIIF	0	5,500,000	5,500,000	Design and construction to replace bridge once spanning Court Avenue leading to the Judicial Building site.
Repairs to Capitol/Lucas Tunnel-RIIF	0	4,546,000	4,546,000	For improvements to the pedestrian tunnel between the Capitol and Lucas Buildings.
Capitol Terrace/Removal Parking Lot 8-RIIF	0	2,200,000	2,200,000	Remove parking lot west of Capitol and replace with ADA compliant walkway between East 7th and Finkbine. Includes landscaping to create public green space at main west entrance to the Capitol.
Relocation/Lease Costs-RIIF	2,271,617	1,824,500	-447,117	For costs associated with moving, temporary leasing, and other expenses incurred during renovation of buildings on the Capitol Complex.
Repairs to Parking Lots and Sidewalks-RIIF	0	1,500,000	1,500,000	Planning, design, and repairs to the parking lots/sidewalks on the Capitol Complex.
Capitol Complex Security System-RIIF	0	500,000	500,000	For installation of a security system on the Capitol Complex that provides integrated operation of Security Management Systems.
Wallace Building-RIIF	0	500,000	500,000	Initial programming and design for renovation or replacement of the Wallace Building, including planning for relocation of the occupants, associated lease costs, and demolition of the building.
East Parking Lot Restoration-RIIF	0	320,000	320,000	Design costs for renovation of the east Capitol parking lot.
Capitol Complex Site Implementation Planning-RIIF	0	100,000	100,000	Develop site implementation planning guidelines, standards and specifications for future improvements to the Capitol Complex.
Laboratory Facility Routine Maintenance-RIIF	355,500	0	-355,500	FY 2005 was a one-time appropriation.
Monument Lighting-RIIF	35,000	0	-35,000	The FY 2005 appropriation completed funding for this project.
Records and Property Building Renovation-RIIF	5,000,000	0	-5,000,000	The FY 2005 appropriation completed funding for the project.
Restricted Capital Fund				
Property Acquisition-RCF	0	350,000	350,000	For purchase of property adjacent to Capitol Complex.
Capitol Interior Restoration-RCF	3,500,000	0	-3,500,000	Funding for Capitol interior being requested from RIIF in FY 2006.
Enterprise Resource Plan (I/3) - RCF	6,049,284	0	-6,049,284	The FY 2005 appropriation completed funding for the project.
Total Administrative Services Capitals	\$ 25,372,897	\$ 84,864,948	\$ 59,492,051	

**Transportation, Infrastructure, and Capitals Appropriations Subcommittee
FY 2006 Capital Project Requests**

	Estimated Net FY 2005	Dept Request FY 2006	FY 2006 vs. FY 2005	Description of Changes
Ag. & Land Stewardship				
Environment First Fund				
Soil Conservation Cost Share-EFF	\$ 5,500,000	\$ 8,500,000	\$ 3,000,000	To assist landowners with the construction of soil and water quality protection practices that protect soil productivity, improve water quality, and reduce nonpoint-source pollution of waterways.
Watershed Protection Program-EFF	2,700,000	5,400,000	2,700,000	To accelerate the watershed protection efforts through water quality protection, flood control, and reduced soil erosion.
Conservation Reserve Enhance Program (CREP)-EFF	1,500,000	3,000,000	1,500,000	To protect floodplains and improve water quality from agricultural drainage systems.
Agriculture Drainage Wells-EFF	500,000	2,500,000	2,000,000	To assist landowners with closure of agriculture drainage wells and establish alternative drainage to reduce groundwater contamination.
Conservation Reserve Program (CRP)-EFF	2,000,000	2,000,000	0	
Farm Demonstration Program.-EFF	850,000	1,000,000	150,000	For farm and livestock management demonstration projects of emerging agricultural systems for nutrient and pesticide management, air quality protection, and soil and water conservation.
Organic Nutrient Mgmt Program-EFF	0	1,000,000	1,000,000	To provide cost-share funding to livestock producers for installation of permanent practices to store and handle livestock wastes for compliance with state and federal requirements.
Loess Hills Conservation Authority-EFF	600,000	600,000	0	
Southern Iowa Conservation Authority-EFF	300,000	300,000	0	
Iowa Cooperative Soil Survey-EFF	0	200,000	200,000	For development of an advanced soils database for use by landowners, county government, and infrastructure planners
Total Ag. & Land Stewardship	\$ 13,950,000	\$ 24,500,000	\$ 10,550,000	
Dept. for the Blind Capitals				
Restricted Capital Fund				
Blind Orientation Center Remodeling-RIIF	\$ 67,000	\$ 0	\$ -67,000	The FY 2005 appropriation completed funding for this project.
Economic Development Capitals				
Rebuild Iowa Infrastructure Fund				
Community Attraction and Tourism Program-RIIF	\$ 12,000,000	\$ 12,000,000	\$ 0	
Accelerated Career Education Program-RIIF	5,500,000	5,500,000	0	
National Special Olympics-RIIF	500,000	0	-500,000	FY 2005 was a one-time appropriation.
Nonprofit Recreation Grants-RIIF	200,000	0	-200,000	FY 2005 was a one-time appropriation.
Lewis and Clark Bicentennial.-RIIF	50,000	0	-50,000	FY 2005 was a one-time appropriation.
Environment First Fund				
Brownfield Redevelopment Program-EFF	500,000	500,000	0	
Total Economic Development Capitals	\$ 18,750,000	\$ 18,000,000	\$ -750,000	
Workforce Development Capitals				
Rebuild Iowa Infrastructure Fund				
Asbestos Abatement-RIIF	\$ 0	\$ 575,073	\$ 575,073	For asbestos removal in the Workforce Development Building.

**Transportation, Infrastructure, and Capitals Appropriations Subcommittee
FY 2006 Capital Project Requests**

	Estimated Net FY 2005	Dept Request FY 2006	FY 2006 vs. FY 2005	Description of Changes
Treasurer of State				
Rebuild Iowa Infrastructure Fund				
County Fairs Improvements-RIIF	\$ 1,060,000	\$ 1,060,000	\$ 0	
Restricted Capital Fund				
ICN Debt Service-RCF	13,039,778	1,700,000	-11,339,778	Payment of debt service on ICN bonds. Appropriation amount is based on the debt service schedule.
Prison Bond Debt Service-RCF	5,413,324	4,599,063	-814,261	FY 2006 request based on scheduled debt service payments.
Total Treasurer of State	\$ 19,513,102	\$ 7,359,063	\$ -12,154,039	
Corrections Capitals				
Rebuild Iowa Infrastructure Fund				
Major Maintenance Request-RIIF	\$ 0	\$ 35,657,000	\$ 35,657,000	For major maintenance projects at all institutions and judicial districts.
Fort Dodge Residential Facility Construction-RIIF	0	3,900,000	3,900,000	For relocation and expansion of Fort Dodge residential facility.
Davenport Residential Facility Construction-RIIF	3,000,000	3,750,000	750,000	For relocation and expansion of the Davenport residential center. The FY 2006 appropriation was enacted in a prior legislative session.
Anamosa Food Service-RIIF	0	3,380,000	3,380,000	Renovation of food service facilities.
Ft. Madison-Alliant Energy Lease-RIIF	333,168	333,168	0	
Restricted Capital Fund				
Oakdale Expansion-RCF	\$ 11,700,000	\$ 11,700,000	\$ 0	The FY 2006 appropriation was enacted in a prior legislative session.
Total Corrections Capitals	\$ 15,033,168	\$ 58,720,168	\$ 43,687,000	
Cultural Affairs Capitals				
Rebuild Iowa Infrastructure Fund				
Historical Site Preservation-RIIF	\$ 500,000	\$ 500,000	\$ 0	
Battle Flag Preservation-RIIF	100,000	100,000	0	
Total Cultural Affairs Capitals	\$ 600,000	\$ 600,000	\$ 0	
State Fair Authority Capital				
Rebuild Iowa Infrastructure Fund				
State Fair Capital Improvements-RIIF	\$ 250,000	\$ 250,000	\$ 0	
Human Services Capital				
Rebuild Iowa Infrastructure Fund				
Major Capital Improvements-RIIF	\$ 0	\$ 16,391,153	\$ 16,391,153	To expand capacity at the Cherokee Critical Care Unit for Sexual Offenders (CCUSO) facility and construct a new education/infirmary building at Toledo.
Health/Safety Projects-RIIF	0	11,899,000	11,899,000	For capital improvement at various institutions that relate to health and safety of building occupants.
Maintenance Projects-RIIF	0	2,300,620	2,300,620	For building repairs at various institutions.
ADA Capital Projects-RIIF	0	1,000,000	1,000,000	Installation of elevators/stairs in the CCUSO facility at Cherokee Mental Health Institute.
Total Human Services Capital	\$ 0	\$ 31,590,773	\$ 31,590,773	

**Transportation, Infrastructure, and Capitals Appropriations Subcommittee
FY 2006 Capital Project Requests**

	Estimated Net FY 2005	Dept Request FY 2006	FY 2006 vs. FY 2005	Description of Changes
Natural Resources Capital				
Environment First Fund				
Resource Enhancement and Protection Program-EFF	\$ 11,000,000	\$ 11,000,000	\$ 0	
Water Quality Monitoring-EFF	2,955,000	2,955,000	0	
Marine Fuel Tax Projects-EFF	2,300,000	2,300,000	0	
Park Operations and Maintenance-EFF	2,000,000	2,000,000	0	
Lake Dredging-EFF	1,000,000	1,000,000	0	
Water Quality Protection-EFF	500,000	500,000	0	
Air Quality Equipment-EFF	500,000	500,000	0	
Geographic Information System for Watersheds-EFF	195,000	195,000	0	
Volunteers and Keepers of Land-EFF	100,000	100,000	0	
Rebuild Iowa Infrastructure Fund				
Destination State Park-RIIF	500,000	500,000	0	
Restricted Capital Fund				
Lewis and Clark Water System-RCF	2,450,000	2,500,000	50,000	For State matching funds for construction of the Lewis and Clark Rural Water System. The FY 2006 appropriation was enacted in a prior legislative session.
Total Natural Resources Capital	\$ 23,500,000	\$ 23,550,000	\$ 50,000	
Public Defense Capitals				
Rebuild Iowa Infrastructure Fund				
Iowa City Readiness Center-RIIF	\$ 2,150,000	\$ 3,697,000	\$ 1,547,000	To complete funding for construction of a new Readiness Center and organizational maintenance shop in Iowa City.
Camp Dodge Water Treatment Facility Upgrade-RIIF	0	1,939,800	1,939,800	State match for upgrade of Camp Dodge Water Treatment Facility.
Armory Maintenance-RIIF	1,269,636	1,269,636	0	
Waterloo Aviation Readiness Center Addition-RIIF	0	817,550	817,550	For an addition and alteration of the Waterloo Aviation Readiness Center.
Ft. Dodge Readiness Center-RIIF	750,000	608,000	-142,000	Continue funding for renovation and expansion of Fort Dodge Readiness Center.
National Guard Future Construction Investment-RIIF	0	500,000	500,000	To establish a revolving fund for designing federally funded projects. Fund would be reimbursed when National Guard Bureau approves projects.
Boone Armory Addition-RIIF	1,096,000	0	-1,096,000	The FY 2005 appropriation completed funding for this project.
Total Public Defense Capitals	\$ 5,265,636	\$ 8,831,986	\$ 3,566,350	
Public Safety Capitals				
Rebuild Iowa Infrastructure Fund				
Fire Training Facilities-RIIF	\$ 150,000	\$ 12,500,000	\$ 12,350,000	For construction of a new fire service training center in Ames.
Mason City Patrol Post-RIIF	0	2,200,000	2,200,000	To construct a new patrol post near Mason City.
Capitol Bldg Security-RIIF	800,000	800,000	0	
Automated Fingerprint Information System Lease Purchase-RIIF	550,000	550,000	0	
Fire Equipment Revolving Loan Fund-RIIF	500,000	500,000	0	
Capitol Complex Security-RIIF	300,000	300,000	0	
National Crime Information Center Control Terminal-RIIF	500,000	0	-500,000	The FY 2005 appropriation completed funding for the project.
Total Public Safety Capitals	\$ 2,800,000	\$ 16,850,000	\$ 14,050,000	

**Transportation, Infrastructure, and Capitals Appropriations Subcommittee
FY 2006 Capital Project Requests**

	Estimated Net FY 2005	Dept Request FY 2006	FY 2006 vs. FY 2005	Description of Changes
Regents Capital				
Rebuild Iowa Infrastructure Fund				
Fire Safety and Deferred Maintenance-RIIF	\$ 0	\$ 15,000,000	\$ 15,000,000	For deferred maintenance funding at all Regents institutions.
Tuition Replacement-RIIF	858,764	0	-858,764	Regents requested this funding from the General Fund.
Special School Maintenance-RIIF	500,000	0	-500,000	FY 2005 was a one-time appropriation.
UNI Playground Safety Program-RIIF	500,000	0	-500,000	FY 2005 was a one-time appropriation.
Restricted Capital Fund				
Tuition Replacement-RCF	10,437,174	0	-10,437,174	Regents requested this funding from the General Fund.
SUI-Journalism Bldg-RCF	3,575,000	0	-3,575,000	The FY 2005 appropriation completed funding for the project.
ISU-Classrooms and Auditorium-RCF	1,949,100	0	-1,949,100	The FY 2005 appropriation completed funding for the project.
UNI-Teaching Center Bldg-RCF	9,880,000	0	-9,880,000	The FY 2005 appropriation completed funding for the project.
Total Regents Capital	\$ 27,700,038	\$ 15,000,000	\$ -12,700,038	
Transportation Capitals				
Rebuild Iowa Infrastructure Fund				
Commercial Service Airports-RIIF	\$ 1,100,000	\$ 1,100,000	\$ 0	
General Aviation Airports Infrastructure-RIIF	581,400	581,400	0	
Aviation Improvement Program-RIIF	500,000	500,000	0	
Total Transportation Capitals	\$ 2,181,400	\$ 2,181,400	\$ 0	
Education Capital				
Rebuild Iowa Infrastructure Fund				
Secure and Advanced Vision for Ed. (SAVE) Fund-RIIF	\$ 10,000,000	\$ 10,000,000	\$ 0	Standing appropriation for funding infrastructure improvements for school districts.
IPTV-Digital Conversion-RIIF	8,000,000	8,000,000	0	For conversion of public television transmitter sights and headquarters to digital transmission. The FY 2006 appropriation was enacted in a prior legislative session.
IPTV-Replace Analog Transmitters-RIIF	0	3,437,000	3,437,000	To replace six analog transmitters that are 25 years old or older.
ICN Maintenance and Leases-RIIF	2,727,000	2,727,000	0	
Mobile Television Production Unit-RIIF	0	1,200,000	1,200,000	For purchase of a mobile television production unit to allow IPTV to originate live programming from anywhere in the State.
Enrich Iowa Libraries-RIIF	600,000	600,000	0	
Uninterruptible Power Supply-RIIF	0	315,000	315,000	For purchase of an uninterruptible power supply to protect digital equipment.
Parker Building Remodel-RIIF	303,632	0	-303,632	The FY 2005 appropriation completed funding for the project.
Total Education Capital	\$ 21,630,632	\$ 26,279,000	\$ 4,648,368	
Veterans Affairs Capitals				
Rebuild Iowa Infrastructure Fund				
Capital Projects-RIIF	\$ 0	\$ 6,090,000	\$ 6,090,000	For various renovation and electrical distribution projects at the Veterans Home.
Major Maintenance-RIIF	0	159,478	159,478	For various improvement projects at the Iowa Veterans Home.
Veterans Trust Fund-RIIF	1,000,000	0	-1,000,000	No funding requested.
Total Veterans Affairs Capitals	\$ 1,000,000	\$ 6,249,478	\$ 5,249,478	


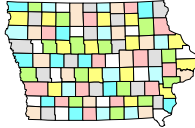
**Transportation, Infrastructure, and Capitals Appropriations Subcommittee
FY 2006 Capital Project Requests**

	<u>Estimated Net FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs. FY 2005</u>	<u>Description of Changes</u>
Total Capital Projects	<u>\$ 177,613,873</u>	<u>\$ 325,401,889</u>	<u>\$ 147,788,016</u>	
Totals by Funding Source				
Rebuild Iowa Infrastructure Fund	\$ 74,620,213	\$ 259,002,826	\$ 184,382,613	
Restricted Capital Fund	67,993,660	20,849,063	-47,144,597	
Environment First Fund	35,000,000	45,550,000	10,550,000	
Total	<u>\$ 177,613,873</u>	<u>\$ 325,401,889</u>	<u>\$ 147,788,016</u>	

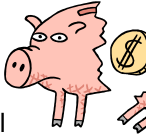
Issues

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

Department of Transportation

- ▶ **Review of the Motor Vehicle Division Building Request** – The Department of Transportation (DOT) is requesting \$9.4 million for a new building for the Motor Vehicle Division. The Department has leased space for the Division at the Park Fair Mall in Des Moines since 1989 at an annual cost of \$640,000. The lease will expire in June 2007. Of the total request, \$7.9 million is to be expended on design, bid letting, and construction, and the remaining \$1.5 million on furnishings. 
- ▶ **Review of the County Treasurer Driver's License Request** – The Department is requesting \$1.3 million for County Treasurer Driver's License Issuance, which is an increase of \$172,000 compared to estimated FY 2005. The increase includes \$145,000 for increased technology costs associated with issuing driver's licenses, vehicle registrations, and titles at county treasurer offices throughout the State, and an increase of \$27,000 for State Auditor costs associated with a study to be conducted per HF 2433 (FY 2005 County Treasurer Licensing Act). House File 2433 increased the amount county treasurers retain for each driver's license or nonoperator identification card issued from \$5.00 to \$7.00 effective FY 2005. The Act requires the State Auditor, in consultation with the DOT and the Iowa County Treasurers Association, to conduct a study on the fiscal impact of the county issuance of driver's licenses. The State Auditor is to report findings and recommendations to the General Assembly prior to January 1, 2006, and to repeat the study and reporting every four years thereafter. The findings and recommendations are to be considered by the General Assembly in adjusting the amount of fees retained by county treasurers for the issuance of driver's licenses and nonoperator identification cards. 

Infrastructure and Capital Projects

- ▶ **Availability of FY 2006 Infrastructure Funding** – For FY 2006, there will be an estimated \$22.1 million available for new infrastructure projects from the Rebuild Iowa Infrastructure Fund (RIIF). The \$22.1 million includes \$15.0 million that was appropriated to a newly established Vertical Infrastructure Fund, which will be available for appropriation in FY 2006. It is also estimated that \$5.4 million will be available for new appropriations from the Restricted Capital Funds Account of the Tobacco Settlement Trust Fund for FY 2006. 
- ▶ **Potential Infrastructure Obligations** – There are several projects and programs that have been traditionally funded from the RIIF that will need to be considered for funding in FY 2006. Discontinuance of the appropriations may result in costs being shifted back to agencies' General Fund appropriations, the layoff of State employees and suspension of state programs, or the default of lease agreements. These projects and programs include:

	Estimated Cost FY 2006
ICN Maintenance and Leases	\$ 2,727,000
Temporary Building Lease Costs	1,800,000
Justice Data Warehouse Support	362,000
Fort Madison Special Need Unit Alliant Energy Lease	333,168
Integrated Information for Iowa (I/3) System Costs	2,700,000
Capitol Building Security Personnel	800,000
Automated Fingerprint Information System Lease	550,000
Total	<u>\$ 9,272,168</u>

- ◆ **Iowa Communications Network (ICN) Maintenance and Leases** – The Department of Education is requesting \$2.7 million to pay the costs of maintenance and leases associated with construction of Part III of the ICN. The fiber optic cable for Part III sites are leased from the private sector on a seven-year lease from the vendors that installed the cable.
- ◆ **Temporary Building Lease Costs** – Included in a \$1.8 million request from the Department of Administrative Services (DAS) is approximately \$260,000 for Department of Corrections (DOC) building lease costs, \$65,000 for the State Fire Marshal's Office building lease costs, and \$1.5 million for relocation expenses. These agencies were relocated off the Capitol Complex due to the lack of office space that resulted from the demolition and renovation of buildings on the Complex. The DAS is currently planning to relocate the Department of Corrections back onto the Capitol Complex in FY 2006. The \$260,000 represents six months of the DOC's current lease costs.
- ◆ **Justice Data Warehouse Support** – For the past three fiscal years the Justice Data Warehouse has been funded through an allocation of approximately \$362,000 from the Pool Technology Appropriation via the RIIF.
- ◆ **Fort Madison Special Need Unit Alliant Energy Lease** – In FY 2002, the DOC was authorized to enter into a lease purchase arrangement with Alliant Energy for upgrades to the electrical system at the Fort Madison Special Needs Facility. The lease payments total \$333,168 per year. Fiscal Year 2006 will be the fifth year of funding for the seven-year lease purchase agreement.
- ◆ **Integrated Information for Iowa (I/3) System Costs** – The DAS is requesting \$2.7 million from the Pool Technology Fund for the maintenance and operational support of the I/3 System for FY 2006. The Department was appropriated a total of \$16.6 million from FY 2003 through FY 2005 for the purchase and implementation of the integrated computer system.
- ◆ **Capitol Building Security Personnel** – The Department of Public Safety is requesting \$800,000 from the RIIF for continued funding of the Capitol and Judicial Building security personnel. The security personnel were added in FY 2003 and have been funded entirely from the RIIF since then.
- ◆ **Automated Fingerprint Information System Lease** – Senate File 2298 (FY 2005 Omnibus Appropriations Act) authorized the Department of Public Safety to lease purchase a new Automated Fingerprint Information System over a ten-year period. The total cost of the system is estimated at \$5.5 million. Annual lease payments total \$550,000.

Issue Reviews

The Legislative Services Agency (LSA) completed the following three **Issue Reviews** during the 2004 legislative interim:

- [Road Use Tax Fund Revenue Update](#)
- [Special License Plates](#)
- [Projections for Infrastructure Funding](#)

Copies of the **Issue Reviews** are available on the LSA web site:
<http://staffweb.legis.state.ia.us/lfb>.

Topic Presentations

The LSA maintains and updates the following **Topic Presentations** available on the LSA web site:

- [Overview of the Transportation, Infrastructure, and Capitals Subcommittee Budget](#)
- [Road Use Tax Fund](#)
- [Primary Road Fund](#)
- [The RISE \(Rebuild Iowa's Sound Economy\) Program](#)
- [Transfer of Jurisdiction Fund](#)
- [Rebuild Iowa Infrastructure Fund](#)
- [Restricted Capital Funds Account of the Tobacco Settlement Trust Fund](#)

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Summary Data

General Fund

	Actual FY 2004	Estimated FY 2005	Dept Request FY 2006	FY 2006 vs FY 2005	Percent Change
	(1)	(2)	(3)	(4)	(5)
Administration and Regulation	\$ 96,832,349	\$ 81,578,668	\$ 79,829,250	\$ -1,749,418	-2.1%
Ag. and Natural Resources	34,251,883	34,882,978	36,999,042	2,116,064	6.1%
Economic Development	22,526,442	29,391,375	29,392,214	839	0.0%
Education	882,421,324	892,944,507	955,930,479	62,985,972	7.1%
Health and Human Services	750,520,814	784,746,323	850,313,727	65,567,404	8.4%
Justice System	503,401,020	515,311,142	530,376,865	15,065,723	2.9%
Trans., Infra., and Capitals	-90,676	100,751	100,751	0	0.0%
Unassigned Standing	<u>2,234,969,899</u>	<u>2,182,696,066</u>	<u>2,267,409,423</u>	<u>84,713,357</u>	3.9%
Grand Total	<u>\$ 4,524,833,055</u>	<u>\$ 4,521,651,810</u>	<u>\$ 4,750,351,751</u>	<u>\$ 228,699,941</u>	5.1%

The FY 2006 Department requests are based on information received by the Fiscal Services Division on December 13, 2004. It should be noted that while a department has "finalized" a budget request, in past years, certain department requests have changed before the Governor presents budget recommendations in January. The Department of Administrative Services (DAS) has recently worked with DOM to distribute some of the funds appropriated to DAS to the other departments of State government. This will result in changes to both the estimated FY 2005 and requested FY 2006 numbers for most departments. Additionally, with the implementation of the new 1/3 budget system some problems have arisen in changing numbers once entered resulting in a few errors in the data. Where fiscal analysts were able to confirm a correct number, the department summaries will reflect the correct amount and not match the overall tracking document. Figures in this document must therefore be considered "preliminary" and not finalized.

Administration and Regulation

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Administrative Services, Dept. of</u>					
Admin. Serv. General Office	\$ 17,510,688	\$ 5,237,639	\$ 5,178,565	\$ -59,074	-1.1%
Utilities	0	2,576,000	2,581,865	5,865	0.2%
Distribution Account	0	1,823,288	467,742	-1,355,546	-74.3%
DAS - Revolving Fund	0	1,889,610	0	-1,889,610	-100.0%
Total Administrative Services, Dept. of	\$ 17,510,688	\$ 11,526,537	\$ 8,228,172	\$ -3,298,365	-28.6%
<u>Auditor of State</u>					
Auditor of State - Gen. Office	\$ 1,147,676	\$ 1,167,557	\$ 1,202,690	\$ 35,133	3.0%
<u>Ethics and Campaign Disclosure</u>					
Ethics and Campaign Disclosure	\$ 412,332	\$ 424,982	\$ 457,601	\$ 32,619	7.7%
<u>Commerce, Department of</u>					
Insurance - Actuarial Study	\$ 14,662	\$ 0	\$ 0	\$ 0	
Alcoholic Beverages	1,876,497	1,882,081	1,882,081	0	0.0%
Banking Division	6,360,637	6,361,824	6,361,824	0	0.0%
Credit Union Division	1,380,786	1,381,910	1,381,910	0	0.0%
Insurance Division	3,860,184	3,866,986	3,924,281	57,295	1.5%
Professional Licensing	857,665	782,364	782,364	0	0.0%
Utilities Division	6,894,696	6,895,124	7,075,124	180,000	2.6%
Total Commerce, Department of	\$ 21,245,127	\$ 21,170,289	\$ 21,407,584	\$ 237,295	1.1%
<u>Governor</u>					
General Office	\$ 1,540,820	\$ 1,568,453	\$ 1,568,453	\$ 0	0.0%
Terrace Hill Quarters	106,852	343,149	343,149	0	0.0%
Admin Rules Coordinator	136,800	136,458	136,458	0	0.0%

Administration and Regulation

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Governor (cont.)</u>					
Natl Governors Association	64,393	64,393	64,393	0	0.0%
State-Federal Relations	111,518	111,236	111,236	0	0.0%
Total Governor	\$ 1,960,383	\$ 2,223,689	\$ 2,223,689	\$ 0	0.0%
<u>Gov. Office of Drug Control Policy</u>					
Drug Policy Coordinator	\$ 255,033	\$ 262,800	\$ 262,800	\$ 0	0.0%
<u>Human Rights, Department of</u>					
Administration	\$ 264,762	\$ 310,290	\$ 310,290	\$ 0	0.0%
Deaf Services	363,591	362,710	362,710	0	0.0%
Persons with Disabilities	185,429	184,971	184,970	-1	0.0%
Division of Latino Affairs	167,131	166,718	166,718	0	0.0%
Status of Women	330,368	329,530	329,529	-1	0.0%
Status of African Americans	118,599	118,296	118,296	0	0.0%
Criminal & Juvenile Justice	404,775	403,774	403,775	1	0.0%
Total Human Rights, Department of	\$ 1,834,655	\$ 1,876,289	\$ 1,876,288	\$ -1	0.0%
<u>Inspections & Appeals, Dept of</u>					
<u>Inspections and Appeals</u>					
Administration Division	\$ 739,386	\$ 1,650,372	\$ 1,650,372	\$ 0	0.0%
Administrative Hearings Div.	615,575	614,114	614,114	0	0.0%
Investigations Division	1,410,839	1,407,295	1,407,295	0	0.0%
Health Facilities Div.	2,282,598	2,276,836	2,276,837	1	0.0%
Inspections Division	753,466	0	0	0	
Employment Appeal Board	35,304	52,869	52,869	0	0.0%
Child Advocacy Board	1,757,187	1,962,059	1,962,059	0	0.0%
Total Inspections and Appeals	7,594,355	7,963,545	7,963,546	1	0.0%

Administration and Regulation

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Inspections & Appeals, Dept of (cont.)</u>					
Racing Commission					
Pari-mutuel Regulation	2,206,967	2,207,732	2,573,627	365,895	16.6%
Excursion Boat Gambling Reg.	1,810,581	1,812,328	2,415,977	603,649	33.3%
Pari-Mutual Investigations	0	217,161	217,161	0	0.0%
Total Racing Commission	<u>4,017,548</u>	<u>4,237,221</u>	<u>5,206,765</u>	<u>969,544</u>	22.9%
Total Inspections & Appeals, Dept of	<u>\$ 11,611,903</u>	<u>\$ 12,200,766</u>	<u>\$ 13,170,311</u>	<u>\$ 969,545</u>	7.9%
<u>Management, Department of</u>					
DOM General Office & Statewide	\$ 2,143,194	\$ 2,163,719	\$ 2,163,719	\$ 0	0.0%
Reinvent Government	6,207,125	0	0	0	
Enterprise Resource Planning	57,582	57,435	57,435	0	0.0%
Local Government Innovation Fd	977,500	0	0	0	
Charter Agency Grant Fund	2,967,375	0	0	0	
Salary Model Administrator	123,915	123,598	123,598	0	0.0%
Total Management, Department of	<u>\$ 12,476,691</u>	<u>\$ 2,344,752</u>	<u>\$ 2,344,752</u>	<u>\$ 0</u>	0.0%
<u>Revenue, Dept. of</u>					
Compliance	\$ 24,506,391	\$ 25,189,584	\$ 25,189,584	\$ 0	0.0%
Collection Costs and Fees	21,254	27,462	27,462	0	0.0%
Total Revenue, Dept. of	<u>\$ 24,527,645</u>	<u>\$ 25,217,046</u>	<u>\$ 25,217,046</u>	<u>\$ 0</u>	0.0%
<u>Secretary of State</u>					
Administration and Elections	\$ 662,796	\$ 660,233	\$ 729,742	\$ 69,509	10.5%
Business Services	1,619,836	1,682,476	1,858,323	175,847	10.5%
Help America Vote Act	765,000	0	0	0	
Total Secretary of State	<u>\$ 3,047,632</u>	<u>\$ 2,342,709</u>	<u>\$ 2,588,065</u>	<u>\$ 245,356</u>	10.5%

Administration and Regulation

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Treasurer of State</u>					
Treasurer - General Office	\$ 802,584	\$ 821,252	\$ 850,252	\$ 29,000	3.5%
Total Administration and Regulation	<u>\$ 96,832,349</u>	<u>\$ 81,578,668</u>	<u>\$ 79,829,250</u>	<u>\$ -1,749,418</u>	-2.1%

Ag. and Natural Resources

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Ag. & Land Stewardship</u>					
Administrative Division	\$ 16,989,251	\$ 17,245,196	\$ 19,361,260	\$ 2,116,064	12.3%
Avian Influenza	0	50,000	50,000	0	0.0%
Missouri River Authority	9,560	9,535	9,535	0	0.0%
Regulatory Dairy Products	633,790	632,170	632,170	0	0.0%
Total Ag. & Land Stewardship	\$ 17,632,601	\$ 17,936,901	\$ 20,052,965	\$ 2,116,064	11.8%
<u>Natural Resources, Department of</u>					
DNR Operations	\$ 16,619,282	\$ 16,929,077	\$ 16,929,077	\$ 0	0.0%
Help Us Stop Hunger	0	17,000	17,000	0	0.0%
Total Natural Resources, Department of	\$ 16,619,282	\$ 16,946,077	\$ 16,946,077	\$ 0	0.0%
Total Ag. and Natural Resources	\$ 34,251,883	\$ 34,882,978	\$ 36,999,042	\$ 2,116,064	6.1%

Economic Development

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Economic Development, Dept. of</u>					
Administrative Services					
General Administration	\$ 1,566,233	\$ 1,950,496	\$ 1,950,496	\$ 0	0.0%
World Food Prize	285,000	285,000	285,000	0	0.0%
Junior Olympics	50,000	0	0	0	
Total Administrative Services	<u>1,901,233</u>	<u>2,235,496</u>	<u>2,235,496</u>	<u>0</u>	<u>0.0%</u>
Business Development					
Business Development	6,100,548	6,084,500	6,084,500	0	0.0%
Community & Rural Devel.					
School to Career Refund	0	27,786	27,786	0	0.0%
Community Development	5,747,336	5,505,725	5,505,725	0	0.0%
Total Community & Rural Devel.	<u>5,747,336</u>	<u>5,533,511</u>	<u>5,533,511</u>	<u>0</u>	<u>0.0%</u>
Total Economic Development, Dept. of	<u>\$ 13,749,117</u>	<u>\$ 13,853,507</u>	<u>\$ 13,853,507</u>	<u>\$ 0</u>	<u>0.0%</u>
<u>Iowa Workforce Development</u>					
General Office	\$ 4,901,776	\$ 5,117,604	\$ 5,117,604	\$ 0	0.0%
Welfare-To-Work Match	-1,931	0	0	0	
Workforce Dev. Field Offices	0	6,525,000	6,525,000	0	0.0%
Total Iowa Workforce Development	<u>\$ 4,899,845</u>	<u>\$ 11,642,604</u>	<u>\$ 11,642,604</u>	<u>\$ 0</u>	<u>0.0%</u>
<u>Public Employment Relations Board</u>					
General Office	\$ 898,007	\$ 923,411	\$ 924,250	\$ 839	0.1%
<u>Regents, Board of</u>					
SUI - Economic Development	\$ 247,638	\$ 247,005	\$ 247,005	\$ 0	0.0%
ISU - Economic Development	2,369,617	2,363,557	2,363,557	0	0.0%

Economic Development

General Fund

	<u>Actual FY 2004</u>	<u>Estimated FY 2005</u>	<u>Dept Request FY 2006</u>	<u>FY 2006 vs FY 2005</u>	<u>Percent Change</u>
	(1)	(2)	(3)	(4)	(5)
<u>Regents, Board of (cont.)</u>					
UNI - Economic Development	362,218	361,291	361,291	0	0.0%
Regents Economic Development	0	0	0	0	
Total Regents, Board of	\$ 2,979,473	\$ 2,971,853	\$ 2,971,853	\$ 0	0.0%
Total Economic Development	\$ 22,526,442	\$ 29,391,375	\$ 29,392,214	\$ 839	0.0%

Education

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Blind, Iowa Commission for the</u>					
Department for the Blind	\$ 1,545,797	\$ 1,586,843	\$ 1,998,408	\$ 411,565	25.9%
<u>College Aid Commission</u>					
Operations & Loan Program					
Scholarship and Grant Admin	\$ 299,577	\$ 347,914	\$ 347,914	\$ 0	0.0%
Student Aid Prg. (IA Grants)	1,029,784	1,029,784	1,029,784	0	0.0%
Osteopathic University Prime	347,339	396,451	346,451	-50,000	-12.6%
ACE Opportunity Grants	217,653	0	0	0	
National Guard Loan Program	1,146,739	2,900,000	2,900,000	0	0.0%
Teacher Shortage Forgive. Loan	461,653	460,472	460,472	0	0.0%
Osteopathic Forgivable Loans	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>50,000</u>	
Total Operations & Loan Program	3,502,745	5,134,621	5,134,621	0	0.0%
Standing Grant & Loan Program					
Tuition Grant Program Standing	45,200,787	47,157,515	47,157,515	0	0.0%
Scholarship Program Standing	446,986	465,175	465,175	0	0.0%
Voc Tech Grant - Standing	<u>2,277,714</u>	<u>2,533,115</u>	<u>2,533,115</u>	<u>0</u>	<u>0.0%</u>
Total Standing Grant & Loan Program	47,925,487	50,155,805	50,155,805	0	0.0%
Total College Aid Commission	\$ 51,428,232	\$ 55,290,426	\$ 55,290,426	\$ 0	0.0%
<u>Cultural Affairs, Dept. of</u>					
Cultural Affairs - Admin.	\$ 214,475	\$ 232,652	\$ 232,652	\$ 0	0.0%
Cultural Grants	299,240	299,240	299,240	0	0.0%
State Historical Society	2,876,505	3,040,920	3,040,920	0	0.0%
Historical Sites	527,800	526,459	526,459	0	0.0%
Iowa Arts Council	<u>1,160,437</u>	<u>1,157,486</u>	<u>1,157,486</u>	<u>0</u>	<u>0.0%</u>
Total Cultural Affairs, Dept. of	\$ 5,078,457	\$ 5,256,757	\$ 5,256,757	\$ 0	0.0%

Education

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Education, Department of</u>					
Administration					
Dept. of Ed. Administration	\$ 5,181,134	\$ 5,409,889	\$ 5,409,889	\$ 0	0.0%
Vocational Ed. Admin.	516,108	514,828	514,828	0	0.0%
Board of Ed. Examiners	40,974	0	0	0	
Vocational Rehabilitation	4,289,621	4,322,805	4,322,805	0	0.0%
Independent Living	54,288	54,150	54,150	0	0.0%
State Library	1,265,788	1,377,325	1,377,325	0	0.0%
Library Service Areas	1,380,087	1,376,558	1,376,558	0	0.0%
Iowa Public Television	6,442,718	6,591,216	7,109,544	518,328	7.9%
IPTV - Regional Councils	1,604,891	1,600,806	1,240,478	-360,328	-22.5%
School Food Service	2,516,118	2,509,683	2,509,683	0	0.0%
Total Administration	<u>23,291,727</u>	<u>23,757,260</u>	<u>23,915,260</u>	158,000	0.7%
Grants & State Aid					
Enrich Iowa Libraries	1,702,787	1,698,432	1,698,432	0	0.0%
Vocational Educ Secondary	2,944,434	2,936,904	2,936,904	0	0.0%
Empowerment Bd - Early Child.	13,415,906	13,381,594	13,381,594	0	0.0%
Nonpublic Textbooks	565,855	590,458	590,458	0	0.0%
Student Achievement	43,230,004	45,283,894	50,783,198	5,499,304	12.1%
Jobs For America's Grads	0	400,000	400,000	0	0.0%
Achievement Gap	0	500,000	0	-500,000	-100.0%
Total Grants & State Aid	<u>61,858,986</u>	<u>64,791,282</u>	<u>69,790,586</u>	4,999,304	7.7%
Community College					
MAS - General Aid	136,127,396	139,779,244	145,370,414	5,591,170	4.0%
Total Education, Department of	<u>\$ 221,278,109</u>	<u>\$ 228,327,786</u>	<u>\$ 239,076,260</u>	<u>\$ 10,748,474</u>	4.7%

Education

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Regents, Board of</u>					
Regents, Board of					
Regents Board Office	\$ 1,163,374	\$ 1,166,215	\$ 0	\$ -1,166,215	-100.0%
Tuition Replacement	13,042,831	13,009,474	0	-13,009,474	-100.0%
Southwest Iowa Resource Center	106,228	105,956	0	-105,956	-100.0%
Tri State Graduate Center	78,141	77,941	0	-77,941	-100.0%
Quad Cities Graduate Center	157,547	157,144	0	-157,144	-100.0%
Regents Universities	0	0	558,860,165	558,860,165	
Regents Special Schools	0	0	13,755,786	13,755,786	
Regents Health Services	0	0	42,388,092	42,388,092	
Regents Natural Resources	0	0	31,916,405	31,916,405	
Regents Economic Development	0	0	3,538,719	3,538,719	
University of Iowa Hygienic Lab	0	0	3,849,461	3,849,461	
Total Regents, Board of	14,548,121	14,516,730	654,308,628	639,791,898	4407.3%
University of Iowa					
Univ. of Iowa: Gen. University	220,501,286	220,131,572	0	-220,131,572	-100.0%
Indigent Patient Program: UIHC	27,354,545	27,284,584	0	-27,284,584	-100.0%
Psychiatric Hospital	7,061,115	7,043,056	0	-7,043,056	-100.0%
Center Dis. & Dev. (Hosp-Sch)	6,379,581	6,363,265	0	-6,363,265	-100.0%
Oakdale Campus	2,664,149	2,657,335	0	-2,657,335	-100.0%
University Hygienic Laboratory	3,812,271	3,849,461	0	-3,849,461	-100.0%
Family Practice Program	2,081,271	2,075,948	0	-2,075,948	-100.0%
SCHS - Hemophilia, Cancer	650,731	649,066	0	-649,066	-100.0%
State of Iowa Cancer Registry	179,197	178,739	0	-178,739	-100.0%
SUI Substance Abuse Consortium	65,037	64,871	0	-64,871	-100.0%
Biocatalysis	883,644	881,384	0	-881,384	-100.0%
Primary Health Care	761,823	759,875	0	-759,875	-100.0%
Iowa Birth Defects Registry	44,751	44,636	0	-44,636	-100.0%
Total University of Iowa	272,439,401	271,983,792	0	-271,983,792	-100.0%

Education

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Regents, Board of (cont.)</u>					
Iowa State University					
Iowa State: Gen. University	173,633,827	173,269,729	0	-173,269,729	-100.0%
ISU Ag & Home Ec. Exp. Sta.	31,099,057	31,019,520	0	-31,019,520	-100.0%
ISU Cooperative Extension	19,789,044	19,738,432	0	-19,738,432	-100.0%
ISU Leopold Center	465,510	464,319	0	-464,319	-100.0%
Livestock Disease Research	221,274	220,708	0	-220,708	-100.0%
Total Iowa State University	225,208,712	224,712,708	0	-224,712,708	-100.0%
Univ. of Northern Iowa					
University of Northern Iowa	78,004,005	77,831,821	0	-77,831,821	-100.0%
Recycling & Reuse Center	212,401	211,858	0	-211,858	-100.0%
Total Univ. of Northern Iowa	78,216,406	78,043,679	0	-78,043,679	-100.0%
Special Schools					
Iowa School for the Deaf	8,120,310	8,470,471	0	-8,470,471	-100.0%
Braille & Sight Saving School	4,543,016	4,740,295	0	-4,740,295	-100.0%
Tuition and Transportation	14,763	15,020	0	-15,020	-100.0%
Total Special Schools	12,678,089	13,225,786	0	-13,225,786	-100.0%
Total Regents, Board of	\$ 603,090,729	\$ 602,482,695	\$ 654,308,628	\$ 51,825,933	8.6%
Total Education	\$ 882,421,324	\$ 892,944,507	\$ 955,930,479	\$ 62,985,972	7.1%

Health and Human Services

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Elder Affairs, Department of</u>					
Aging Programs	\$ 2,639,378	\$ 2,729,381	\$ 2,729,381	\$ 0	0.0%
<u>Health, Department of Public</u>					
Addictive Disorders	\$ 1,270,342	\$ 1,267,111	\$ 1,265,910	\$ -1,201	-0.1%
Adult Wellness	254,719	304,067	304,067	0	0.0%
Child and Adolescent Wellness	817,895	915,803	915,761	-42	0.0%
Chronic Conditions	1,022,647	845,863	845,342	-521	-0.1%
Community Capacity - GF	1,312,056	1,267,359	1,274,299	6,940	0.5%
Elderly Wellness	9,257,662	9,233,985	9,233,985	0	0.0%
Environmental Hazards	341,682	251,808	251,808	0	0.0%
Infectious Diseases	1,079,987	1,079,703	1,078,039	-1,664	-0.2%
Injuries	1,382,894	1,379,358	1,379,258	-100	0.0%
Public Protection	6,526,668	6,620,172	6,671,342	51,170	0.8%
Resource Management	701,068	961,520	977,328	15,808	1.6%
Hearing Impaired Licensure	0	60,390	0	-60,390	-100.0%
Uninsured Prescrip Drug Access	0	10,000	0	-10,000	-100.0%
Total Health, Department of Public	\$ 23,967,620	\$ 24,197,139	\$ 24,197,139	\$ 0	0.0%
<u>Human Services, Department of</u>					
Economic Assistance					
Family Investment Program	\$ 36,189,791	\$ 39,076,970	\$ 40,515,516	\$ 1,438,546	3.7%
Child Support Recoveries	5,915,656	7,754,046	7,754,046	0	0.0%
Total Economic Assistance	42,105,447	46,831,016	48,269,562	1,438,546	3.1%
Medical Services					
Medical Assistance-GF Trans	333,486,073	352,810,068	382,986,177	30,176,109	8.6%
Health Insurance Premium Pmt.	606,429	614,456	614,457	1	0.0%
Medical Contracts	8,990,035	9,725,035	14,711,985	4,986,950	51.3%

Health and Human Services

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Human Services, Department of (cont.)</u>					
Medical Services (cont.)					
State Children's Health Ins.	11,118,275	12,118,275	18,536,256	6,417,981	53.0%
State Supplementary Assistance	19,198,735	19,273,135	19,273,135	0	0.0%
County Hospitals	312,000	200,000	0	-200,000	-100.0%
Total Medical Services	<u>373,711,547</u>	<u>394,740,969</u>	<u>436,122,010</u>	<u>41,381,041</u>	10.5%
Child and Family Services					
Child Care Services	5,050,752	5,050,752	5,050,752	0	0.0%
Toledo Juvenile Home	6,061,266	6,086,368	6,196,368	110,000	1.8%
Eldora Training School	9,570,563	9,614,223	9,822,223	208,000	2.2%
Child and Family Services	97,091,253	97,457,784	79,688,976	-17,768,808	-18.2%
Family Support Subsidy	1,936,434	1,936,434	1,936,434	0	0.0%
Child Welfare Redesign Loan	1,000,000	0	0	0	
Child Welfare Tech & Training	1,200,000	0	0	0	
Adoption Subsidy	0	0	32,275,732	32,275,732	
Total Child and Family Services	<u>121,910,268</u>	<u>120,145,561</u>	<u>134,970,485</u>	<u>14,824,924</u>	12.3%
MH/MR/DD/BI					
Conners Training	42,623	42,623	42,623	0	0.0%
Cherokee MHI	12,927,556	12,977,349	12,977,349	0	0.0%
Clarinda MHI	7,410,346	7,435,466	7,435,466	0	0.0%
Independence MHI	17,239,768	17,312,385	17,312,385	0	0.0%
Mt. Pleasant MHI	6,109,205	6,127,627	6,127,627	0	0.0%
Glenwood Resource Center	6,060,778	8,647,284	12,713,703	4,066,419	47.0%
Woodward Resource Center	4,578,453	4,586,302	7,143,776	2,557,474	55.8%
MI/MR State Cases	11,014,619	11,014,619	11,014,619	0	0.0%
MH/DD Community Services	17,757,890	17,757,890	17,757,890	0	0.0%
Personal Assistance	205,748	205,748	151,763	-53,985	-26.2%

Health and Human Services

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Human Services, Department of (cont.)</u>					
MH/MR/DD/BI (cont.)					
Sexual Predator Civil Commit.	2,801,472	2,844,232	3,869,232	1,025,000	36.0%
MH/DD Growth Factor	19,073,638	23,738,749	23,738,749	0	0.0%
Total MH/MR/DD/BI	105,222,096	112,690,274	120,285,182	7,594,908	6.7%
Managing and Delivering Services					
Field Operations	52,727,745	53,436,313	53,436,313	0	0.0%
General Administration	11,480,872	13,298,812	13,626,797	327,985	2.5%
Volunteers	109,568	109,568	109,568	0	0.0%
Total Managing and Delivering Services	64,318,185	66,844,693	67,172,678	327,985	0.5%
Total Human Services, Department of	\$ 707,267,543	\$ 741,252,513	\$ 806,819,917	\$ 65,567,404	8.8%
<u>Veterans Affairs, Comm. of</u>					
Veterans Affairs, Comm of	\$ 294,714	\$ 295,717	\$ 295,717	\$ 0	0.0%
Iowa Veterans Home	16,351,559	16,271,573	16,271,573	0	0.0%
Total Veterans Affairs, Comm. of	\$ 16,646,273	\$ 16,567,290	\$ 16,567,290	\$ 0	0.0%
Total Health and Human Services	\$ 750,520,814	\$ 784,746,323	\$ 850,313,727	\$ 65,567,404	8.4%

Justice System

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Justice, Department of</u>					
General Office A.G.	\$ 7,584,225	\$ 7,765,197	\$ 8,358,197	\$ 593,000	7.6%
Consumer Advocate	2,810,944	2,809,433	2,809,433	0	0.0%
Victim Assistance Grants	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>0.0%</u>
Total Justice, Department of	\$ 10,395,169	\$ 10,579,630	\$ 11,172,630	\$ 593,000	5.6%
<u>Civil Rights Commission</u>					
Civil Rights Commission	\$ 827,835	\$ 856,815	\$ 856,815	\$ 0	0.0%
<u>Corrections, Department of</u>					
<u>Corrections Institutions</u>					
Ft. Madison Inst.	\$ 37,393,149	\$ 38,145,852	\$ 38,145,852	\$ 0	0.0%
Anamosa Inst.	26,468,726	26,998,901	26,998,901	0	0.0%
Oakdale Inst.	23,127,382	23,610,727	23,610,727	0	0.0%
Newton Inst.	24,007,011	24,616,853	24,616,853	0	0.0%
Mt Pleasant Inst.	22,306,420	22,545,883	22,545,883	0	0.0%
Rockwell City Inst.	7,711,007	7,792,993	7,792,993	0	0.0%
Clarinda Inst.	20,271,253	22,578,749	22,578,749	0	0.0%
Mitchellville Inst.	12,998,051	13,239,137	13,239,137	0	0.0%
Ft. Dodge Inst.	<u>25,785,046</u>	<u>25,968,406</u>	<u>25,968,406</u>	<u>0</u>	<u>0.0%</u>
Total Corrections Institutions	200,068,045	205,497,501	205,497,501	0	0.0%
<u>Corrections Central Office</u>					
County Confinement	674,954	674,954	674,954	0	0.0%
Federal Prisoners/Contractual	241,293	241,293	241,293	0	0.0%
Central Office Corrections	2,784,393	2,828,216	2,828,216	0	0.0%
Corrections Education	1,000,000	1,008,358	1,008,358	0	0.0%
Iowa Corr. Offender Network	<u>427,700</u>	<u>427,700</u>	<u>427,700</u>	<u>0</u>	<u>0.0%</u>
Total Corrections Central Office	5,128,340	5,180,521	5,180,521	0	0.0%

Justice System

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Corrections, Department of (cont.)</u>					
CBC Districts					
CBC District I	9,853,209	10,113,032	10,113,032	0	0.0%
CBC District II	7,657,081	7,772,849	7,772,849	0	0.0%
CBC District III	4,527,819	4,640,744	4,640,744	0	0.0%
CBC District IV	4,201,565	4,256,613	4,256,613	0	0.0%
CBC District V	12,793,238	13,009,486	13,009,486	0	0.0%
CBC District VI	9,952,952	10,087,064	10,087,064	0	0.0%
CBC District VII	5,554,925	5,689,384	5,689,384	0	0.0%
CBC District VIII	5,513,905	5,586,576	5,586,576	0	0.0%
Total CBC Districts	<u>60,054,694</u>	<u>61,155,748</u>	<u>61,155,748</u>	<u>0</u>	<u>0.0%</u>
Total Corrections, Department of	<u>\$ 265,251,079</u>	<u>\$ 271,833,770</u>	<u>\$ 271,833,770</u>	<u>\$ 0</u>	<u>0.0%</u>
<u>IA Telecommun & Technology Commission</u>					
ICN Operations/Edu. Subsidy	\$ 488,750	\$ 0	\$ 0	\$ 0	
<u>Inspections & Appeals, Dept of</u>					
Public Defender	\$ 16,705,522	\$ 16,852,292	\$ 18,436,407	\$ 1,584,115	9.4%
Indigent Defense Appropriation	19,404,926	19,355,297	21,163,082	1,807,785	9.3%
Total Inspections & Appeals, Dept of	<u>\$ 36,110,448</u>	<u>\$ 36,207,589</u>	<u>\$ 39,599,489</u>	<u>\$ 3,391,900</u>	<u>9.4%</u>
<u>Judicial Branch</u>					
Judicial Branch	\$ 117,837,862	\$ 118,000,337	\$ 125,650,923	\$ 7,650,586	6.5%
Judicial Retirement	2,039,664	2,039,664	4,979,417	2,939,753	144.1%
Total Judicial Branch	<u>\$ 119,877,526</u>	<u>\$ 120,040,001</u>	<u>\$ 130,630,340</u>	<u>\$ 10,590,339</u>	<u>8.8%</u>
<u>Law Enforcement Academy</u>					
Operations	\$ 1,069,586	\$ 1,073,953	\$ 1,073,953	\$ 0	0.0%

Justice System

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Parole, Board of</u>					
Parole Board	\$ 1,020,495	\$ 1,071,946	\$ 1,071,946	\$ 0	0.0%
<u>Public Defense, Department of</u>					
Public Defense, Dept. of					
Military Division	\$ 5,097,065	\$ 5,117,007	\$ 5,117,007	\$ 0	0.0%
Emergency Management Division					
Homeland Sec. & Emer. Mgmt Div	<u>1,126,202</u>	<u>1,169,860</u>	<u>1,123,400</u>	<u>-46,460</u>	-4.0%
Total Public Defense, Department of	<u>\$ 6,223,267</u>	<u>\$ 6,286,867</u>	<u>\$ 6,240,407</u>	<u>\$ -46,460</u>	-0.7%
<u>Public Safety, Department of</u>					
Public Safety Administration	\$ 2,445,482	\$ 3,035,711	\$ 3,035,711	\$ 0	0.0%
Investigation, DCI	13,130,579	14,058,510	14,595,454	536,944	3.8%
Narcotics Enforcement	3,721,083	3,930,089	3,930,089	0	0.0%
Undercover Funds	120,568	123,343	123,343	0	0.0%
Fire Marshal	1,846,495	2,181,998	2,181,998	0	0.0%
Fire Service	599,358	638,021	638,021	0	0.0%
Iowa State Patrol	38,237,606	42,517,133	42,517,133	0	0.0%
Capitol Police	1,292,932	0	0	0	
DPS/SPOC Sick Leave Payout	211,242	316,179	316,179	0	0.0%
Fire Fighter Training	530,910	559,587	559,587	0	0.0%
Medical Injuries - DPS Custody	<u>610</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total Public Safety, Department of	<u>\$ 62,136,865</u>	<u>\$ 67,360,571</u>	<u>\$ 67,897,515</u>	<u>\$ 536,944</u>	0.8%
Total Justice System	<u>\$ 503,401,020</u>	<u>\$ 515,311,142</u>	<u>\$ 530,376,865</u>	<u>\$ 15,065,723</u>	2.9%

Trans., Infra., and Capitals

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Transportation, Department of</u>					
Aviation Assistance	\$ -58,313	\$ 64,792	\$ 64,792	\$ 0	0.0%
Rail Assistance	<u>-32,363</u>	<u>35,959</u>	<u>35,959</u>	<u>0</u>	<u>0.0%</u>
Total Trans., Infra., and Capitals	<u>\$ -90,676</u>	<u>\$ 100,751</u>	<u>\$ 100,751</u>	<u>\$ 0</u>	<u>0.0%</u>

Unassigned Standing

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Administrative Services, Dept. of</u>					
Deferred Compensation Prog.	\$ 55,230	\$ 55,088	\$ 0	\$ -55,088	-100.0%
Federal Cash Management	537,625	436,250	450,000	13,750	3.2%
Unemployment Comp - State	439,875	538,750	550,000	11,250	2.1%
Mun. Fire & Police Retirement	2,752,825	2,745,784	2,745,784	0	0.0%
Sac Fox Attorney Costs	440	0	0	0	
Total Administrative Services, Dept. of	\$ 3,785,995	\$ 3,775,872	\$ 3,745,784	\$ -30,088	-0.8%
<u>Corrections, Department of</u>					
State Cases	\$ 0	\$ 66,370	\$ 66,370	\$ 0	0.0%
<u>Education, Department of</u>					
Child Development	\$ 11,244,023	\$ 11,271,000	\$ 11,271,000	\$ 0	0.0%
Educational Excellence	55,611,281	55,469,053	55,469,053	0	0.0%
Early Intervention Block Grant	29,325,000	29,250,000	29,250,000	0	0.0%
Instructional Support	14,465,267	14,428,271	14,798,189	369,918	2.6%
School Foundation Aid	1,780,398,844	1,881,532,006	1,986,900,000	105,367,994	5.6%
Transportation - Nonpublic	7,624,060	7,955,541	7,955,541	0	0.0%
Total Education, Department of	\$ 1,898,668,475	\$ 1,999,905,871	\$ 2,105,643,783	\$ 105,737,912	5.3%
<u>Executive Council</u>					
Court Costs	\$ 312,482	\$ 73,125	\$ 73,125	\$ 0	0.0%
Public Improvements	0	48,750	48,750	0	0.0%
Performance of Duty	811,109	1,462,500	1,462,500	0	0.0%
Drainage Assessment	22,575	24,375	24,375	0	0.0%
Total Executive Council	\$ 1,146,166	\$ 1,608,750	\$ 1,608,750	\$ 0	0.0%

Unassigned Standing

General Fund

	Actual FY 2004 <u>(1)</u>	Estimated FY 2005 <u>(2)</u>	Dept Request FY 2006 <u>(3)</u>	FY 2006 vs FY 2005 <u>(4)</u>	Percent Change <u>(5)</u>
<u>Legislative Branch</u>					
Legislature	\$ 25,232,956	\$ 27,532,216	\$ 24,475,749	\$ -3,056,467	-11.1%
<u>Governor</u>					
Interstate Extradition Expense	\$ 0	\$ 3,710	\$ 3,710	\$ 0	0.0%
<u>Health, Department of Public</u>					
Birth Defects Registry	\$ 0	\$ 120,000	\$ 120,000	\$ 0	0.0%
<u>Human Services, Department of</u>					
Commission of Inquiry	\$ 0	\$ 1,706	\$ 1,706	\$ 0	0.0%
Non-Resident Transfer Mentally	0	82	82	0	0.0%
Non-Resident Commitment	138,061	174,704	174,704	0	0.0%
<u>Human Services, Department of (cont.)</u>					
MH Property Tax Relief	95,000,000	95,000,000	95,000,000	0	0.0%
Child Abuse Prevention	186,062	240,000	240,000	0	0.0%
Total Human Services, Department of	\$ 95,324,123	\$ 95,416,492	\$ 95,416,492	\$ 0	0.0%
<u>Management, Department of</u>					
Special Olympics Fund	\$ 30,000	\$ 30,000	\$ 30,000	\$ 0	0.0%
Cash Reserve Fund	0	47,500,000	0	-47,500,000	-100.0%
Indian Settlement Officer	25,000	25,000	25,000	0	0.0%
Appeal Board	24,242,566	4,387,500	4,387,500	0	0.0%
Total Management, Department of	\$ 24,297,566	\$ 51,942,500	\$ 4,442,500	\$ -47,500,000	-91.4%
<u>Public Defense, Department of</u>					
Compensation & Expense	\$ 316,048	\$ 421,639	\$ 421,639	\$ 0	0.0%

Unassigned Standing

General Fund

	<u>Actual</u> <u>FY 2004</u>	<u>Estimated</u> <u>FY 2005</u>	<u>Dept Request</u> <u>FY 2006</u>	<u>FY 2006 vs</u> <u>FY 2005</u>	<u>Percent</u> <u>Change</u>
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>
<u>Revenue, Dept. of</u>					
Machinery/Equip. Tax Replace.	\$ 11,027,841	\$ 0	\$ 0	\$ 0	
Printing Cigarette Stamps	107,579	107,304	107,304	0	0.0%
Livestock Producers Credit	1,749,903	1,770,342	1,770,342	0	0.0%
Homestead Tax Credit Aid	103,209,341	0	0	0	
Ag Land Tax Credit	34,553,197	0	0	0	
Military Service Tax Credit	2,517,998	0	0	0	
Elderly & Disabled Tax Credit	16,084,145	0	0	0	
Franchise Tax Reimbursement	8,595,113	0	0	0	
Collection Agencies Reimburse	70	0	0	0	
Tobacco Enforcement	50,000	25,000	25,000	0	0.0%
Total Revenue, Dept. of	\$ 177,895,187	\$ 1,902,646	\$ 1,902,646	\$ 0	0.0%
<u>Secretary of State</u>					
Servicemen's Ballot Comm	\$ 3,134	\$ 0	\$ 0	\$ 0	
<u>Transportation, Department of</u>					
Public Transit Assistance	\$ 8,300,249	\$ 0	\$ 0	\$ 0	
<u>Treasurer of State</u>					
Endowment For Iowa Health	\$ 0	\$ 0	\$ 29,562,000	\$ 29,562,000	
Total Unassigned Standing	\$ 2,234,969,899	\$ 2,182,696,066	\$ 2,267,409,423	\$ 84,713,357	3.9%

APPENDIX B

PROJECTED FY 2006 BUILT-IN AND ANTICIPATED GENERAL FUND EXPENDITURES

(Dollars in Millions)

Incremental Built-in Increases and Decreases	LSA Estimates
K-12 School Foundation Aid (FY 2006 Allowable Growth)	\$ 105.6
Education - College Student Aid Work Study Program	2.8
Homestead Tax Credit	129.4
Agricultural Land Tax Credit	39.1
Elderly and Disabled Tax Credit	21.7
Franchise Reimbursement Tax	7.0
Livestock Producer Tax Credit	0.2
Military Service Tax Credit	2.5
Human Services – Medical Assistance	185.2
Human Services – Medical Contracts	5.0
Human Services – State Children’s Health Insurance Program – <i>hawk-i</i>	2.7
Mental Health Growth Factor	4.8
Education – Early Intervention Block Grant	-29.3
Educational Excellence	1.4
Education – At-Risk Early Childhood Education	1.3
Education – Nonpublic School Transportation	0.2
School to Career Program	0.5
State Appeal Board Claims	3.0
Appropriation for 1.0% Expenditure Limitation Requirement	-47.5
Endowment for Iowa’s Health Account Appropriation	29.6
Total Built-in Increases and Decreases	\$ 465.0

PROJECTED FY 2006 BUILT-IN AND ANTICIPATED GENERAL FUND EXPENDITURES (CONTINUED)

(Dollars in Millions)

Anticipated Incremental Increases and Decreases	LSA Estimates
Collective Bargaining Salary Package	\$ 77.0
Education - Teacher Quality/Student Achievement	2.9
Inspections and Appeals - Indigent Defense	3.4
Judicial Branch – Retirement Fund Contribution	2.9
Judicial Branch – New Building Operational Costs	0.3
Human Services – Woodward and Glenwood State Resource Centers	6.6
Human Services – Temporary Assistance for Needy Families (TANF) Programs	4.3
Human Services – Child and Family Services	2.2
Human Services – Sexual Predators Civil Commitment and Treatment	1.0
Total Anticipated Increases and Decreases	\$ 100.6
 TOTAL PROJECTED EXPENDITURES	 \$ 565.6

FY 2006 ESTIMATED GENERAL FUND EXPENDITURES
Built-In Increases and Decreases
(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors (3)	FY 06 vs. FY 05 (4)	Options for Reductions (5)	Savings (6)
K-12 School Foundation 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 the majority of school district budgets.	Assumes the following: <ul style="list-style-type: none"> • 4.0% allowable growth and an enrollment decrease of 0.1%. • Increase in taxable valuations of 2.0%. • Special education weightings increase of 3.5%. • Supplemental weighting for shared pupil/teacher increase of 10.0%. • English as a Second Language weighting increase of 10.0%. • No change for at-risk students' weightings. • Restores \$11.8 million reduction to the Area Education Agencies. 	\$ 105.6	<ul style="list-style-type: none"> • A reduction to allowable growth by each 1.0% will reduce State Aid by approximately by \$25.3 million. • Increase the Uniform Property Tax Levy from \$5.40 to \$5.90 is estimated to reduce State Aid by \$50.2 million. This option will increase local property tax by the amount reduced to State aid. • Reduce the Regular Program and Special Education Regular Program Foundation Level from 87.5% to 85.5% will reduce State Aid and increase local property tax. • Reduce the FY 2006 State Cost per Pupil and District Cost per Pupil by \$200 and reduce the AEA Special Education Cost per Pupil by \$25. 	\$ 25.3 \$ 50.2 \$ 69.8 \$ 109.6

FY 2006 ESTIMATED GENERAL FUND EXPENDITURES
Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors (3)	FY 06 vs. FY 05 (4)	Options for Reductions (5)	Savings (6)
Education – College Student Aid Work Study Program <i>Standing Limited Appropriation</i>	This is a standing limited appropriation set at \$2.8 million in Section 261.85, <u>Code of Iowa</u> . This State funding is provided to colleges and universities to supplement federal work-study funds of approximately \$13.0 million annually. The State funding does not serve as a match for the federal funds. This Program has not been funded since FY 2001.	<ul style="list-style-type: none"> This Program was not funded in FY 2005. 	\$ 2.8	<ul style="list-style-type: none"> Do not fund the Program for FY 2006. 	\$ 2.8
Homestead Tax Credit <i>Standing Unlimited Appropriation</i>	Provides a property tax credit for residential homeowners.	<ul style="list-style-type: none"> The Homestead Tax Credit was partially funded from the Cash Reserve Fund in FY 2005. Assumes the Program will be funded from the General Fund in FY 2006 as required by the <u>Code of Iowa</u>. Estimate based on projected demand by the Department of Revenue. 	\$ 129.4	<ul style="list-style-type: none"> Maintain the FY 2005 funding level. 	\$ 26.5
Agricultural Land Tax Credit <i>Standing Limited Appropriation</i>	Provides a property tax credit to individuals for qualified lands used for agricultural purposes. Includes the Family Farm Tax Credit.	<ul style="list-style-type: none"> The Agricultural Land Tax Credit was partially funded from the Cash Reserve Fund in FY 2005. Assumes the Program will be funded from the General Fund in FY 2006 as required by the <u>Code of Iowa</u>. 	\$ 39.1	<ul style="list-style-type: none"> Maintain the FY 2005 funding level. 	\$ 4.5

FY 2006 ESTIMATED GENERAL FUND EXPENDITURES
Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors (3)	FY 06 vs. FY 05 (4)	Options for Reductions (5)	Savings (6)
Elderly and Disabled Tax Credit <i>Standing Unlimited Appropriation</i>	Provides a property tax credit for low-income elderly or disabled taxpayers.	<ul style="list-style-type: none"> • This appropriation was partially funded from the Cash Reserve Fund in FY 2005. • Assumes the Program will be funded from the General Fund in FY 2006 as required by the <u>Code of Iowa</u>. • Estimate based on historical claims. 	\$ 21.7	<ul style="list-style-type: none"> • Maintain the FY 2005 funding level. 	\$ 2.2
Franchise Tax Appropriation for the Community Attraction and Tourism Fund <i>Standing Limited Appropriation</i>	Senate File 2298 (FY 2005 Omnibus Appropriations Act) established a five-year appropriation of \$7.0 million annually from the Franchise Tax for the Community Attraction and Tourism Fund beginning in FY 2006 and ending FY 2010. The Act also appropriates \$5.0 million per year from the Rebuild Iowa Infrastructure Fund for the Program.	<ul style="list-style-type: none"> • Funds the Program at the appropriated level. 	\$ 7.0	<ul style="list-style-type: none"> • Eliminate funding for the Program or shift funding to the Rebuild Iowa Infrastructure Fund. 	\$ 7.0
Livestock Producer Tax Credit <i>Standing Limited Appropriation</i>	Provides funding for an income tax credit earned by Iowa cow-calf operations. Section 422.121, <u>Code of Iowa</u> , limits total credits to \$2.0 million per year.	<ul style="list-style-type: none"> • Restores the appropriation to the \$2.0 million annual limit. 	\$ 0.2	<ul style="list-style-type: none"> • Maintain FY 2005 funding level. • Eliminate the Credit. 	\$ 0.2 \$ 2.0
Military Service Tax Credit <i>Standing Unlimited Appropriation</i>	Provides a property tax credit to replace all or a portion of the tax which would be due on property eligible for military service tax exemption. Section 426.1A, <u>Code of Iowa</u> , appropriates an amount necessary to fund the credits.	<ul style="list-style-type: none"> • The Military Service Tax Credit was funded from the Cash Reserve Fund in FY 2005. • Assumes the Program will be funded from the General Fund in FY 2006 as required by the <u>Code of Iowa</u>. • Estimate based on projected demand by the Department of Revenue. 	\$ 2.5	<ul style="list-style-type: none"> • No options identified. 	

FY 2006 ESTIMATED GENERAL FUND EXPENDITURES
Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors (3)	FY 06 vs. FY 05 (4)	Options for Reductions (5)	Savings (6)
Human Services – Medical Assistance <i>Appropriation</i>	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.	<ul style="list-style-type: none"> • Adds \$63.6 million to adjust the FY 2006 budget for the estimated FY 2005 supplemental. (The built-in increase is compared to the FY 2005 appropriation, prior to the supplemental.) • Adds \$66.1 million to replace federal Intergovernmental Transfer revenue expected to be eliminated by the Federal government. • Adds \$35.2 million for 4.6% caseload growth, 1.0% for medical cost increases, and 17.0% for Medicare premium increase. • Includes decreases of \$6.4 million for savings initiatives to be implemented in FY 2006. Of the total, \$5.9 million is due to savings required in the Iowa Medicaid Enterprise contracts. • Adds \$15.4 million to offset shortfalls in the Hospital Trust Fund and Senior Living Trust Fund. • Adds \$7.0 million to rebase nursing facility rates pursuant to current law. • Adds \$4.3 million for federal Medicare Part D implementation costs. 	\$ 185.2	<ul style="list-style-type: none"> • Reduce or eliminate optional Medicaid coverage groups. The savings will depend on the options eliminated. • Reduce or freeze current provider rates. The savings depends on which provider rates are adjusted. • Eliminate optional services. The savings will depend on the options eliminated. • The Medical Assistance Crisis Intervention Team is required to recommend \$130.0 million in savings options. The Team recommended no reductions in services or eligibility. The Team recommended an increase of \$1.00 in the State cigarette tax to cover future costs of the Program. The tax increase is estimated to generate \$200.0 million annually. 	

FY 2006 ESTIMATED GENERAL FUND EXPENDITURES
Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors (3)	FY 06 vs. FY 05 (4)	Options for Reductions (5)	Savings (6)
Human Services Medical Contracts <i>Appropriation</i>	Medical Contracts is the State share of the cost of administering the Medical Assistance Program. The DHS contracts with private companies to provide the majority of the operating and administrative functions. In FY 2006, a new contracting structure, the Iowa Medicaid Enterprise, will begin with multiple separate contracts, rather than a single fiscal agent contract.	<ul style="list-style-type: none"> • Adds \$5.0 million for increased costs associated with the Iowa Medicaid Enterprise. New fiscal agent contracts begin in FY 2006. • These increased costs are offset by contractually required savings in the Medical Assistance budget of \$5.9 million. 	\$ 5.0	• No options identified.	
Human Services – State Children’s Health Insurance Program <i>Appropriation</i>	The State Children’s Health Insurance Program (CHIP) provides health insurance to low-income uninsured children living in families with incomes below 200.0% of the federal poverty level.	<ul style="list-style-type: none"> • Adds \$0.9 million for a 5.1% increase in Healthy and Well Kids in Iowa (<i>hawk-i</i>) enrollment compared to the FY 2005 projected enrollment, and a 10.0% increase in the average premium costs compared to the FY 2005 projected cost. • Adds \$1.8 million to replace a one-time balance in the <i>hawk-i</i> Trust Fund that will be depleted in FY 2006. 	\$ 2.7	<ul style="list-style-type: none"> • Initiate a waiting list, change benefit package currently offered, and improve federal legislation related to Program requirements and allotments. • Implementing a waiting list in January 2005 saves approximately \$600,000. Savings for other options depend on the level of reduction. 	\$ 1.0 \$ 0.6
Mental Health Growth Factor <i>Appropriation</i>	The Mental Health Growth Factor provides an increase for inflation applied to the sum of the county base expenditures for county Mental Health/Mental Retardation/Developmental Disabilities Services funds and the previous allowable growth appropriation.	<ul style="list-style-type: none"> • An increase in the appropriation resulted in a 2.0% increase in the formula from the base expenditure calculation was enacted in SF 2298 (FY 2005 Omnibus Appropriations Act). 	\$ 4.8	<ul style="list-style-type: none"> • Eliminate the FY 2006 increase enacted in SF 2298. • Eliminate the FY 2006 allowable growth for mental health expenditures. 	\$ 4.8 \$ 28.5

FY 2006 ESTIMATED GENERAL FUND EXPENDITURES

Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors (3)	FY 06 vs. FY 05 (4)	Options for Reductions (5)	Savings (6)
Education – Early Intervention Block Grant <i>Standing Limited Appropriation</i>	Provides grants to local school districts to reduce K-3 class size.	<ul style="list-style-type: none"> The standing appropriation had sunset at the end of FY 2004. The Program was funded in FY 2005 for one year. If action is not taken in FY 2006, the Program will not be funded. 	\$ -29.3	<ul style="list-style-type: none"> No options identified. 	
Educational Excellence <i>Standing Limited Appropriation</i>	Provides allocations to local school districts to enhance teacher salaries. Section 294A.25, <u>Code of Iowa</u> , appropriates \$56.9 million for the Program.	<ul style="list-style-type: none"> The standing appropriation was reduced to \$55.5 million in FY 2005. The appropriation will return to \$56.9 million in FY 2006, unless legislative action is taken to change the amount. 	\$ 1.4	<ul style="list-style-type: none"> Maintain the FY 2005 funding level. 	\$ 1.4
Education – At-Risk Early Childhood Education <i>Standing Limited Appropriation</i>	Provides grants to preschool and K-3 programs to enhance at-risk early childhood education. Section 279.51, <u>Code of Iowa</u> , appropriates \$12.6 million for the Program	<ul style="list-style-type: none"> The standing appropriation was reduced by \$1.3 million for FY 2005. The appropriation will return to \$12.6 million in FY 2006, unless legislative action is taken to change the amount. 	\$ 1.3	<ul style="list-style-type: none"> Maintain the FY 2005 funding level. 	\$ 1.3
School to Career Program <i>Standing Limited Appropriation</i>	Provides post-secondary training (classroom training and company internships) in career fields needed by employers. The employer funds a portion of the student's post-secondary education or apprenticeship training and receives a partial reimbursement for the student employee's wages.	<ul style="list-style-type: none"> Section 15.365, <u>Code of Iowa</u>, appropriates up to \$500,000 annually for the Program. In FY 2005, \$27,786 was appropriated. 	\$ 0.5	<ul style="list-style-type: none"> Reduce the appropriation to maintain the FY 2005 funding level. The Department of Economic Development is requesting the same funding for FY 2006 as in FY 2005. 	\$ 0.5

FY 2006 ESTIMATED GENERAL FUND EXPENDITURES

Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors (3)	FY 06 vs. FY 05 (4)	Options for Reductions (5)	Savings (6)
<p>State Appeal Board Claims <i>Standing Unlimited Appropriation</i></p>	<p>The Board is composed of the State Auditor, State Treasurer, and the Director of the Department of Management. (Section 73A.1, <u>Code of Iowa</u>)</p> <p>The Board authorizes claims under:</p> <ul style="list-style-type: none"> • Chapter 25, <u>Code of Iowa</u>, for the payment of bills, fees, refunds, and credits; and • Chapter 669, <u>Code of Iowa</u>, State Tort Claims. <p>Payment is made from the appropriation or fund of original certification of the claim, unless the appropriation or fund has reverted. Then the payment is from unobligated State funds.</p>	<ul style="list-style-type: none"> • Increase based on historical level of claims paid through the Appeal Board. • From FY 1999 through FY 2003, the State has paid an average of \$7.4 million in claims annually. • For FY 2005, \$4.4 million was appropriated for claims. • The FY 2006 claims are estimated to be \$7.4 million. 	<p>\$ 3.0</p>	<ul style="list-style-type: none"> • The <u>Code of Iowa</u> allows the General Assembly to refuse claims. Refusal constitutes adjudication against the claim, and bars any further proceedings before the General Assembly for payment of the claim. • The General Assembly could cap the amount of funds available for payment of claims at the FY 2005 level. 	<p>\$ 3.0</p>
<p>Appropriation for 1.0% Expenditure Limitation Requirement <i>Standing Unlimited Appropriation</i></p>	<p>Section 8.57, Code of Iowa, requires a General Fund appropriation be made to the Cash Reserve Fund if the projected balance in the Fund does not equal 7.5% of the most recent adjusted revenue estimate. The amount of the appropriation is determined as follows:</p> <ul style="list-style-type: none"> • If the Cash Reserve Fund balance is less than 6.5% of the adjusted revenue estimate, then the appropriation is 1.0% of the adjusted revenue estimate. • If the Cash Reserve Fund balance is more than 6.5% but less than 7.5% of the adjusted revenue estimate, then the appropriation is the amount that is required to bring the Cash Reserve Fund balance to 7.5% of the adjusted revenue estimate. 	<ul style="list-style-type: none"> • An appropriation of \$47.5 million was required in FY 2005. • The current estimates project the Cash Reserve Fund balance to reach a statutory maximum of 7.5% in FY 2006. Therefore, no appropriation will be necessary. 	<p>\$ -47.5</p>	<ul style="list-style-type: none"> • No options identified. 	

FY 2006 ESTIMATED GENERAL FUND EXPENDITURES
Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors (3)	FY 06 vs. FY 05 (4)	Options for Reductions (5)	Savings (6)
Endowment for Iowa's Health Account <i>Standing Limited Appropriation</i>	Senate File 533 (FY 2002 Tobacco Securitization Appropriations Act) established a six-year standing limited appropriation beginning in FY 2002 to the Endowment for Healthy Iowans. The amounts are as follows: <ul style="list-style-type: none"> • FY 2002 - \$7.2 million • FY 2003 - \$27.1 million • FY 2004 - \$28.3 million • FY 2005 - \$29.8 million • FY 2006 - \$29.6 million • FY 2007 - \$17.8 million 	<ul style="list-style-type: none"> • The appropriations for FY 2002 through FY 2005 were deappropriated. • The standing appropriation for FY 2006 is \$29.6 million. 	\$ 29.6	<ul style="list-style-type: none"> • Deappropriate the FY 2006 standing appropriation. Reduction of this appropriation may cause cash-flow problems for the Endowment, which is mandated to appropriate a minimum of \$58.4 million to the Healthy Iowans Tobacco Trust in FY 2006. 	\$ 29.6

FY 2006 ESTIMATED GENERAL FUND EXPENDITURES
Anticipated Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors (3)	FY 06 vs. FY 05 (4)	Options for Reductions (5)	Savings (6)
Collective Bargaining Salary Packages <i>Appropriation</i>	Estimated salary increases for negotiated collective bargaining costs. Salary increases are subject to collective bargaining and represent the historical cost.	<ul style="list-style-type: none"> • Estimates an increase of \$70.0 million for steps, benefit enhancements, and 2.0% cost of living. This includes \$30.0 million for the Board of Regents. • Adds \$7.0 million for annualization of the 2.0% salary increase that will be in effect for the last six months of FY 2005. • The collective bargaining cycle is underway for FY 2006 and FY 2007. 	\$ 77.0	<ul style="list-style-type: none"> • No estimate for savings provided. 	
Teacher Quality/Student Achievement Program <i>Appropriation</i>	Provides funding to school districts to enhance teacher salaries, for a Beginning Teacher and Mentoring Program, for an evaluator training program for administrators, and a team-based variable pay pilot program. Provides funding to the Department of Education for the implementation of the Career Development Program, for National Board Certification stipends, and for administration costs of the Program.	<ul style="list-style-type: none"> • In FY 2005, \$45.4 million was appropriated from the General Fund for this Program. • An estimated \$2.9 million will be needed to fully fund teacher salary increases for FY 2006. 	\$ 2.9	<ul style="list-style-type: none"> • Maintain funding for the Program at the FY 2005 level. 	\$ 2.9

FY 2006 ESTIMATED GENERAL FUND EXPENDITURES
Anticipated Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors (3)	FY 06 vs. FY 05 (4)	Options for Reductions (5)	Savings (6)
Inspections and Appeals – Indigent Defense and State Public Defender <i>Appropriation</i>	The Indigent Defense Fund and State Public Defender’s Office provide legal counsel to indigent adult and juvenile clients to insure their constitutional right to effective legal counsel.	<ul style="list-style-type: none"> • Based on FY 2004 actual expenditures. • Provides an additional \$1.6 million to the State Public Defender’s Office to fill all positions. It is more cost effective for the Public Defender to staff cases (\$242 per case) than private attorneys (\$365 per claim). Assumes current authorized FTEs in the Public Defender’s Office will be filled, thereby lowering the overall increase in funds. • Provides an additional \$1.8 million to fund projected claims for the Indigent Defense Fund. • The FY 2005 appropriation is \$2.7 million below the amount actually spent in FY 2004. An FY 2005 supplemental appropriation may be necessary. 	\$ 3.4	<ul style="list-style-type: none"> • The General Assembly could lower the hourly rates for private attorneys. • The General Assembly could reduce fee limitations for private attorneys by the type of case. These limitations are currently set by administrative rule. • No estimate for savings provided. 	
Judicial Branch – Retirement Fund Contribution <i>Appropriation</i>	The Judicial Retirement System provides retirement benefits to judges. Pursuant to Section 602.9104(4), <u>Code of Iowa</u> , the employer’s contribution rate is 23.7% of all covered judges’ salaries.	<ul style="list-style-type: none"> • Assumes a 3.0% cost of living increase. • Senate File 2298 (FY 2005 Omnibus Appropriations Act) reduced the employer’s contribution rate to 9.7%. • This estimate assumes restoration of the statutory contribution rate of 23.7%. 	\$ 2.9	<ul style="list-style-type: none"> • The July 2004 Actuarial Report recommends an employer contribution rate of 21.0%. If the <u>statutory contribution was reduced</u> from 23.7% to 21.0%, the savings would be approximately \$600,000. 	\$ 0.6

FY 2006 ESTIMATED GENERAL FUND EXPENDITURES
Anticipated Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors (3)	FY 06 vs. FY 05 (4)	Options for Reductions (5)	Savings (6)
Judicial Branch – Building Operational Costs <i>Appropriation</i>	This includes the costs associated with operating the Judicial Building.	<ul style="list-style-type: none"> • The estimated cost for building maintenance in FY 2005 is \$650,000. Funding includes \$120,000 remaining from General Fund expenses from rent reductions, \$200,000 from the General Fund, and \$330,000 from 2003 RIIF carry-forward funds. • Senate File 2298 (FY 2005 Omnibus Appropriations Act) allowed the Judicial Branch to use to up \$330,000 of the excess street costs to offset the operating shortfall. 	\$ 0.3	• No options identified.	
DHS-Woodward and Glenwood State Resource Centers <i>Appropriation</i>	The State and the Federal Department of Justice are in the process of settling out of court regarding treatment services at the Woodward and Glenwood State Resource Centers.	<ul style="list-style-type: none"> • The pending federal settlement will require the DHS to add FTE positions at Woodward and at Glenwood. 	\$ 6.6	• No options identified. The settlement has been finalized and is awaiting federal Department of Justice approval. Federal court action is likely if the settlement is not complied with.	
Human Services – Temporary Assistance for Needy Families (TANF) Programs <i>Appropriation</i>	The Temporary Assistance for Needy Families (TANF) is a federal block grant. The monies are used for cash assistance, employment, and child welfare programs.	<ul style="list-style-type: none"> • Adds \$4.3 million to replace a one-time balance in the TANF Fund. • Includes an increase of \$8.2 million to replace a one-time shift in Child and Family Services Programs, other increases of \$500,000, and a decrease of \$4.5 million for a performance bonus received in FY 2005. 	\$ 4.3	• Reduce funding for the TANF Programs.	\$ 4.3

FY 2006 ESTIMATED GENERAL FUND EXPENDITURES

Anticipated Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors (3)	FY 06 vs. FY 05 (4)	Options for Reductions (5)	Savings (6)
Human Services – Child and Family Services <i>Appropriation</i>	Provides child protective services to respond to reports or abuse and neglect; family preservation services; graduated sanction programs to serve delinquent youth; out-of-home placement for children who cannot be served safely at home; and permanency services.	<ul style="list-style-type: none"> For FY 2005, the Legislature permitted the FY 2004 appropriations for the Child Welfare Provider Loan Fund and technology and training to carry forward for Child and Family Services programs. 	\$ 2.2	<ul style="list-style-type: none"> No options identified. The funds will be needed in FY 2006 to avoid reductions in child welfare programs. 	
Human Services – Sexual Predators Civil Commitment and Treatment <i>Appropriation</i>	Long-term mental health treatment of sexually violent predators, with housing at the Cherokee Mental Health Institute.	<ul style="list-style-type: none"> Based on an increase of one additional inmate per month and an increase in per diem costs. 	\$ 1.0	<ul style="list-style-type: none"> Eliminate the Program. 	\$ 2.8

APPENDIX C

GLOSSARY OF BUDGET TERMS

Across-The-Board Reduction: Section 8.31, Code of Iowa, authorizes the Governor to reduce quarterly allotments of appropriations in amounts sufficient to avoid an overdraft or deficit. The Governor, through Executive Order, has the authority to enact across-the-board reductions in order to restrict spending. While the actual appropriation amount will remain unchanged, the reduction in allotments will reduce spending and will increase reversions. The statute specifically exempts the Legislative Branch and the Judicial Branch from across-the-board reductions made by the Governor. The Governor cannot exempt any specific appropriations from across-the-board reductions; the reduction must be applied across-the-board uniformly and prorated between all departments, agencies, and establishments upon the basis of each respective appropriation. Attorney General opinions in 1980 and 1989 stated that the Governor may not make selective mandatory reductions in appropriations through the practice of targeted reversions. Governor Ray issued two of these Orders, Governor Branstad issued four, and Governor Vilsack has issued two. Departments designated as Charter Agencies are exempt from across-the board budget reductions in FY 2004 and FY 2005.

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

Allocation: Funds and/or personnel that are apportioned or designated for a program, function, 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 by which agency managers assume that 75.0% of the current appropriation becomes the base budget for the next fiscal year.

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 driven by goals and performance that ties the appropriation of resources to the expected outcomes or results of a program. A results-oriented performance budget is developed by defining desired program results 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 expected performance. Progress toward meeting the desired outcome is tracked and analyzed. Department directors are held accountable for progress.

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

Charter Agency: A Department or Division in State government that has signed an agreement with the Governor to decrease General Fund expenditures, increase General Fund revenues, or a combination of both. In exchange for General Fund budget adjustments, Charter Agencies receive some flexibility with current State rules related to budgeting and daily operations. Charter Agencies began in FY 2004 as authorized in SF 453 (Reinvention of Government Act). Charter Agencies for FY 2005 include: Departments of Corrections, Human Services, Natural Resources, Revenue, the Alcoholic Beverages Division, and the Iowa Veterans Home.

Contract Personnel: Additional workers departments hire from private sector employment organizations using a contractual agreement. The individuals are employees of employment agencies and not the State.

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

Deappropriation: A decrease in the amount of an appropriation for a current fiscal year.

Decision Package: An individual department request for funding for personnel, services, equipment, capitals, or other items. Decision packages are either requests to restore the budget to 100.0% of the previous year's appropriation from the 75.0% base budget, or new requests for funding that are 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 Fiscal Services Division of the Legislative Services Agency.



Estimated Revenues: A projection compiled by the Revenue Estimating Conference (REC) 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.

Family Investment Program (FIP): In Iowa, the Program that replaced the Aid to Families with Dependent Children (AFDC) Program, also referred to as Welfare. The Program is administered by the Department of Human Services and receives federal funding from the Temporary Assistance for Needy Families (TANF) federal block grant.

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

Fiscal Year (FY): The 12-month financial period used by State government for record keeping, budgeting, appropriating, revenue collecting, and other aspects of fiscal management. The State fiscal year runs from 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 worked by one full-time person in one fiscal year.

General Fund: The Fund with receipts that are not earmarked for dedicated purposes 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 measurable statement of purpose or intended achievement that sets future direction and requires coordinated action as established by policy makers or program administrators.

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

Integrated Information for Iowa (I/3) Budget System: A real-time web-based budget system that incorporates traditional budgeting practices with performance measures.

Item Veto: The action by the Governor that voids a section of an appropriations bill.

Legislative Services Agency: The Legislative Branch agency that resulted from the reorganization and combination of the former Legislative Service Bureau, the Legislative Fiscal Bureau, and the Computer Support Bureau as authorized in HF 636 (Legislative Consolidation Act).

Line-Item: A term used to describe funds requested and/or appropriated on a detailed or itemized basis, such as 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 an employee's salary.

New/Expanded Programs: Departmental requests that are in addition to the 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: A number or mathematical expression that documents input, output, efficiency, quality or outcome.

Purchasing Results Budgeting: A new budget process developed by the Governor and Lieutenant Governor. The process is similar to zero-based budgeting which identifies budget priorities and emphasizes accountability for results. Also, allows for the development of a long-range strategy that can be readily adjusted when priorities change.

Revenue Estimating Conference (REC): The REC is comprised of the Governor or designee, the Director of the Legislative Services Agency or their designee, and a third person agreed to by the other two members. The REC meets quarterly, and the Governor and the Legislature are required to use the REC estimates in preparing the State budget.

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 with designated revenue source and specific expenditure purpose that has stipulated State agency access as required. All balances in a revolving fund typically remain in the fund at the close of the fiscal year for future expenditures.

Salary Adjustment: Costs for raises, merit step increases, and other expenses associated with the collective bargaining agreement. The cost of the collective bargaining agreement is unknown at the time budgets are submitted and departments do not include these costs in budget requests. An appropriation is made to fund salary adjustment costs in an annual Salary Bill.

Salary Annualization: Costs due to merit step increases, which occur for only part of the first year and require additional funds to be fully funded the second year. For example, if a merit step increase 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 will 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 pursuant to Section 331.660, Code of Iowa, which states, "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 of an unspecified dollar amount established by the Code of Iowa. An example is 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 that are in addition to the original appropriation.

Temporary Assistance for Needy Families (TANF): The federal block grant created by federal Welfare Reform in FFY 1997, allowing states flexibility in welfare programs and instituting a five-year limitation on to aid dependent families. In Iowa, the TANF block grant provides funding for the Family Investment Program (FIP) and other support programs for FIP recipients.

APPENDIX D

ISSUE REVIEW SERIES

The Fiscal Services Division of the LSA monitors a variety of issues that develop in State agencies as part of the continuing effort to provide legislative oversight. Many issues are reported in the ***Fiscal Update*** newsletter, but some require more detailed review to present sufficient information and some may require legislative action.

The LSA developed an ***Issue Review*** series in 1992 to present selected issues to members of the Fiscal Committee, Oversight Committee, and the General Assembly. 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*** were published during the 2004 Legislative Session or Interim and are available from the LSA.

- Adoption Subsidy Program
- Allocation of State Aid to Community Colleges
- Board of Regents FY 2003 Student Financial Aid
- College Work Study
- Conservation Reserve Enhancement Program
- Enhanced 911 System
- High School Drop Outs
- Infrastructure Funding Projections
- Iowa Corporate Income Tax
- Iowa Innovations Fund
- Iowa's Bioeconomy
- Iowa Finance Authority
- Medicaid Funding Growth - FY 2005 - FY 2007
- Medicaid Intergovernmental Transfers
- Methamphetamine Laboratories
- Overview of the State Corrections System
- Medical Costs of the State Prison System
- Special License Plates
- State Auditor's Office
- State of Iowa FY 2002 - FY 2005 General Fund Budget
- Update on the Road Use Tax Fund
- Workers' Compensation for State Employees

APPENDIX E

ELECTRONIC PUBLISHING OF INFORMATION

The Fiscal Services Division of the Legislative Services Agency (LSA) provides all standard publications in an electronic format on the Internet at: <http://staffweb.legis.state.ia.us/lfb>. The available information includes:

[Bill Analysis \(NOBA\)](#) – Side-by-side analysis of appropriation bills.

[Budget Analysis](#) – Analysis of department requests and Governor’s recommendations for annual budgets.

[Fact Book](#) – Statistical summary information.

[Fiscal Facts](#) – Highlights of the State budget and recent legislative session.

[Fiscal Notes](#) – Analysis of the fiscal impact of proposed legislation.

[Fiscal Report \(Graybook\)](#) – End-of-Session financial report that includes analysis of enacted legislation.

[Fiscal Update](#) – LSA newsletter. Published weekly during Session and bimonthly during Interim.

[Issue Reviews](#) – Short reports on current topics before the Legislature.

[Presentations](#) – Slide presentations explaining various aspects of State government.

[Long-Term Revenue](#) – A spreadsheet showing revenue by category back to FY 1848.

[Monthly Revenue Memo](#) – Fiscal analysis of the prior month's receipts.

[Quarterly Revenue Estimate](#) – The Revenue Estimating Conference (REC) estimate of General Fund revenue.

[State Debt Report](#) – A summary on the debt of State agencies and authorities for the most recent fiscal year available.

Tracking – Status and amounts of appropriations as bills progress through the appropriations process.

The Fiscal Services Division web site also provides links to information for the appropriations subcommittees, the Legislative Fiscal Committee, and the Government Oversight Committee.

In an attempt to reduce paper and printing costs, the LSA produces an annual CD-ROM. The disc contains many products and is generally produced at the end of each legislative session. This enables the LSA to publish thousands of pages of information for under \$2.00 per copy.

The LSA continues to develop the distribution of information in an electronic format. If you have suggestions, questions, or problems, please contact the LSA.

APPENDIX F

**LEGISLATIVE SERVICES AGENCY
FISCAL SERVICES DIVISION
STAFF LISTING**

**Holly M. Lyons, Director
Capitol, Ground Floor
281-5279**

STAFF ASSIGNMENTS	STAFF PERSON	PHONE	LOCATION
FISCAL SERVICES DIVISION DIRECTOR	Holly Lyons	281-5279	Capitol – Room G01
DIVISION ADMINISTRATOR	Douglas Wulf	281-3250	Miller – Room 209
APPROPRIATIONS SUBCOMMITTEES			
ADMINISTRATION & REGULATION			
Auditor	Sam Leto	281-6764	Miller – Room 209
Ethics & Campaign Finance Disclosure			
Human Rights			
Treasurer			
Administrative Services	Ron Robinson	281-6256	Miller – Room 209
Iowa Public Employees Retirement System			
Commerce			
Lottery			
Management			
Revenue			

STAFF ASSIGNMENTS	STAFF PERSON	PHONE	LOCATION
Governor Governor's Office of Drug Control Policy Inspections and Appeals Racing and Gaming Secretary of State	Douglas Wulf	281-3250	Miller – Room 209
AGRICULTURE & NATURAL RESOURCES			
Agriculture Natural Resources	Debra Kozel	281-6767	Miller – Room 209
ECONOMIC DEVELOPMENT			
Economic Development Iowa Finance Authority Public Employment Relations Board Workforce Development	Russ Trimble	281-4613	Miller – Room 209
EDUCATION			
Board of Regents College Aid Commission	Mary Shipman	281-4617	Capitol – Room G03
Blind Community Colleges Cultural Affairs Education Iowa Public Television	Robin Madison	281-5270	Miller – Room 209
HUMAN SERVICES			
Child Care Foster Care Juvenile Justice Elder Affairs Public Health Senior Living Trust	Lisa Burk	281-7942	Miller – Room 209

STAFF ASSIGNMENTS	STAFF PERSON	PHONE	LOCATION
County Based Services Field Operations General Administration Institutions Mental Health/Mental Retardation/Developmental Disabilities Enhanced Services Social Services Block Grant Veteran's Affairs Veteran's Home	Sue Lerdal	281-7794	Capitol – Room G03
Child Support Recovery Children's Health Insurance Program Family Investment Program, Promise Jobs, Food Stamps Medical Services Temporary Assistance for Needy Families (TANF) Block Grant	Jennifer Vermeer	281-4611	Capitol – Room G03
JUSTICE SYSTEM			
Iowa Law Enforcement Academy Iowa Telecommunications & Technology Commission Judicial Branch Public Defense Public Safety	Jennifer Acton	281-7846	Miller – Room 209
Civil Rights Corrections Indigent Defense/Public Defender Justice Department Parole Board	Beth Lenstra	281-6301	Miller – Room 209

STAFF ASSIGNMENTS	STAFF PERSON	PHONE	LOCATION
TRANSPORTATION, INFRASTRUCTURE, & CAPITALS			
Transportation	Mary Beth Mellick	281-8223	Miller – Room 209
Capitals	David Reynolds	281-6934	Miller – Room 209
APPROPRIATIONS COMMITTEES			
	Sue Lerdal	281-7794	Capitol – Room G03
	Dave Reynolds	281-6934	Miller – Room 209
	Holly Lyons	281-7845	Capitol – Room G01
EDUCATION STANDING COMMITTEES			
School Finance	Dwayne Ferguson	281-6561	Capitol – Room G03
GOVERNMENT OVERSIGHT COMMITTEE			
	Douglas Wulf	281-3250	Miller – Room 209
	Sam Leto	281-6764	Miller – Room 209
LEGISLATIVE FISCAL COMMITTEE			
	Sue Lerdal	281-7794	Capitol – Room G03
	Dave Reynolds	281-6934	Miller – Room 209
WAYS AND MEANS STANDING COMMITTEES			
	Jeff Robinson	281-4614	Capitol – Room G03
ADMINISTRATIVE STAFF			
	Sandra Laust	281-4594	Capitol – Room G03
	Charlotte Mosher	281-5279	Capitol – Room G01
	Nicole Navara	281-6766	Miller – Room 209