

Fiscal Facts 2001

IOWA
Legislative Fiscal Bureau
May 2001

To: Members of the Iowa General Assembly

From: Dennis Prouty, Director
Legislative Fiscal Bureau

Re: Fiscal Facts

Date: May 2001

Fiscal Facts contains data relating to overall revenues and expenditures of State government, as well as detail regarding the most pertinent and discussed topic areas. Additional detailed data and information are available from the Legislative Fiscal Bureau.

The FY 2001 data are estimates since the document is being issued prior to the close of FY 2001. The data provided for FY 2002 represents action taken by the 2001 General Assembly which adjourned on May 8, 2001, and does not reflect action by the Governor.

Salary adjustment funds totaling \$61.3 million were appropriated to the Department of Management (DOM). The DOM will allocate these funds to the individual departments prior to the start of the fiscal year. The estimated appropriations for individual line items do not include the allocation from the salary adjustment funds.

If you would like further information regarding any of the data provided within Fiscal Facts or have any comments and suggestions regarding this document, please do not hesitate to contact me.

FISCAL FACTS 2001
Iowa LFB Staff
Capitol Office 515-281-5279

Director	Dennis Prouty	281-3509
Deputy Director	Tim Faller	281-4615
Fiscal Analysis	Holly Lyons	281-7845
Policy Analysis	Doug Wulf	281-3250
Data Base	Glen Dickinson	281-4616

Committee Assignments

Appropriations Subcommittee:

Admin. and Regulation	Ron Robinson	281-6256
	Christina Schaefer	281-7942
Ag. and Natural Resources	Debra Kozel	281-6767
Economic Development	Dwayne Ferguson	281-6561
	Alice Wisner	281-4611
Education	Robin Madison	281-5270
	Mary Shipman	281-4617
Health and Human Rights	Lisa Burk	281-6765
	Russ Trimble	281-4613
Human Services	Sue Lerdal	281-7794
	Sam Leto	281-6764
Justice System	Jennifer Dean	281-7846
	Beth Lenstra	281-6301
Oversight & Communications	Glen Dickinson	281-4616
	Doug Wulf	281-3250
Transportation, Infrs. & Cap.	Mary Beth Mellick	281-8223
	Dave Reynolds	281-6934
Appropriations	Holly Lyons	281-7845
Education Standing	Shawn Snyder	281-7799
Ways and Means	Jeff Robinson	281-4614
	Alice Wisner	281-4611
Data Base Support	Dave Kair	281-3685
	Ray Knapp	281-5335
	Scott Miller	281-4612
Administrative Staff	Charlotte Mosher	281-5279
	Nicole Navara	281-6766
	Sandra Laust	281-4594

**IOWA FISCAL FACTS
TABLE OF CONTENTS**

2001 Legislative Session Overview

State of Iowa General Fund Balance.....	1
Distribution of Estimated FY 2002 State General Fund Appropriations.....	2
Major Iowa Tax Changes.....	3
Vision Iowa Program.....	6
Tobacco Settlement.....	7
Senior Living Trust Fund.....	9
Environment First Fund.....	10
Student Achievement and Teacher Quality Bill.....	12

Government Finance and Taxation

Managing Iowa's Money - Current Law.....	14
Iowa's Reserve Funds - Saving for an Emergency - Current Law.....	15
General Fund Balance Unreserved - GAAP Basis.....	16
Flow of General Fund Revenues After Expenditure Limitation.....	17
State Funding Sources and Expenditures.....	19
FY 2000 Governmental Revenues and Other Financing Sources	19
FY 2000 Governmental Expenditures and Other Financing Uses.....	20
Sources of General Fund Growth.....	21
General Fund Receipts History	22
Major State and Local Tax Sources.....	23
General Fund Receipts.....	25
Distribution of Major State and Local Tax Sources.....	26
State Gambling	27
Lottery Expenses as a Percent of Total Revenue.....	30
Resource Enhancement and Protection Fund.....	31
Iowa's Cash Management Practices.....	32
Debt Management.....	33
Outstanding Debt by Entity.....	34

Budgets and Appropriations

Iowa's Budget Process.....	35
Appropriated Spending.....	36
Non-General Fund Appropriated Funds.....	37
Federal Funds.....	38
Growth of Selected General Fund Budgets.....	39
Change in Selected Budgets.....	39

**IOWA FISCAL FACTS
TABLE OF CONTENTS**

	Page
Budgets and Appropriations (Cont'd.)	
Infrastructure Funding	40
Infrastructure Funding Appropriations.....	41
Salary Adjustment.....	42
State and Local Government	
Annual Cost Per Participant for Major State Programs.....	43
Full-Time Equivalent Positions.....	44
Collective Bargaining Settlements.....	45
Budgeted County Expenditures.....	46
General Fund Financial Assistance to Local Governments.....	47
The Iowa Communications Network.....	48
Iowa Communications Network Appropriations.....	51
Iowa Economy	
Economic Summary.....	52
Distribution of Net Taxable Valuation by Class of Property.....	53
Percentage Distribution of Property Taxes by Taxing Authority.....	53
Education	
Paying for Public Education - The Iowa School Foundation Formula.....	54
General Fund Appropriations for K-12 State Aid.....	56
K-12 School Districts' Revenue.....	57
K-12 Source of Funds.....	58
Average Expenses of an Iowa School.....	59
General Fund Appropriations for Community Colleges.....	60
General Fund Appropriations for Regents Institutions.....	61
General Fund Appropriations for Tuition Grants.....	62
Regents Enrollments and Tuition Data - Historical Comparison.....	63
Human Services	
Department of Human Services Programs.....	64
Dept. of Human Services FY 2002 Major Programs.....	66
Total Medical Assistance Spending.....	67
Family Investment Program Cash Assistance Grant	69

**IOWA FISCAL FACTS
TABLE OF CONTENTS**

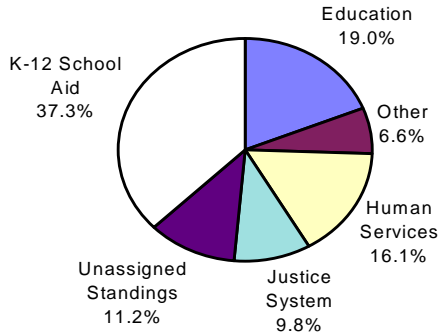
	Page
Human Services (Cont'd.)	
Total Family Investment Program Spending.....	70
Family Investment Program Caseload and Cost Per Case.....	71
Children's Health Insurance (CHIP) Program.....	72
Crime/Enforcement	
Prisons/Corrections	73
Judicial Branch Appropriations and FTE Positions.....	75
Court Case Filings	75
Year-End Prison Population, Staffing, and Budget	76
Average Prison Population and Average Cost Per Prisoner.....	76
Adult Indigent Defense and State Public Defender Expenditures.....	77
Adult Indigent Defense and State Public Defender Costs Per Claim.....	77
Transportation	
Road Use Tax Fund.....	78
State Profile	
Iowa's Population Growth Rate Compared to National Rate.....	81
Iowa's Population	82

2001 LEGISLATIVE SESSION OVERVIEW

STATE OF IOWA
 GENERAL FUND BALANCE
 (\$ in millions)

	<u>FY 2001 Estimated</u>	<u>FY 2002 Gov. Rec.</u>	<u>FY 2002 Legislative Action</u>
Estimated Funds:			
Estimated Receipts			
Rev. Est. Conference	\$ 5,131.0	\$ 5,352.6	\$ 5,352.6
Econ. Emergency Fund	163.8	120.0	0.0
Revenue Adjustments	4.0	102.1	58.3
Transfers	107.2	26.8	42.6
	<hr/>	<hr/>	<hr/>
Total Receipts	5,406.0	5,601.5	5,453.5
	<hr/>	<hr/>	<hr/>
Tax Refunds	- 554.1	- 565.0	- 565.0
	<hr/>	<hr/>	<hr/>
Accruals	27.5	5.0	5.0
	<hr/>	<hr/>	<hr/>
Total Funds	4,879.4	5,041.5	4,893.5
	<hr/>	<hr/>	<hr/>
		\$ 4,992.1	\$ 4,842.9
Expenditure Limitation			
Est. Appropriations:			
General Fund	\$ 4,882.4	\$ 5,006.4	\$ 4,842.5
Approp. Adjustment	-1.9		
	<hr/>	<hr/>	<hr/>
Reversions	- 10.0	- 15.4	- 15.0
	<hr/>	<hr/>	<hr/>
Net Appropriations	4,870.5	4,991.0	4,827.5
	<hr/>	<hr/>	<hr/>
Ending Balance prior to Cash Reserve	\$ 8.9	\$ 50.5	\$ 66.0
	<hr/>	<hr/>	<hr/>

**DISTRIBUTION OF ESTIMATED FY 2002
STATE GENERAL FUND APPROPRIATIONS
(\$ in millions)**



<u>Subcommittee</u>	<u>Est. FY 2002 Appropriations</u>	<u>Percent of Total</u>
Admin. & Regulation	\$ 142.8	2.9%
Ag. & Natural Resources	35.5	0.7%
Economic Development	35.7	0.7%
Education	920.9	19.0%
Health & Human Rights	85.9	1.8%
Human Services	779.3	16.1%
Justice System	475.4	9.8%
Trans. & Infrastructure	2.9	0.1%
Oversight & Comm.	18.9	0.4%
Unassigned Standings	542.9	11.2%
K-12 School Aid	1,806.5	37.3%
Total	\$ 4,846.7	100.0%

Notes:

- 1) Totals may not add due to rounding.
- 2) "Other" includes Administration and Regulation, Agriculture and Natural Resources, Economic Development, Health and Human Rights, Transportation, Infrastructure and Capitals, and Oversight and Communications.

MAJOR IOWA TAX CHANGES

Sales Tax

- **Heating Fuel Tax Suspension**

Suspends the State and local option sales taxes on residential heating utility bills (natural gas, heating oil, and propane) delivered in March and April 2001. The fiscal impact of the suspension is a reduction in General Fund revenue of \$10.0 million in FY 2001. The suspension would also reduce local option sales tax by a maximum of \$1.8 million in FY 2001.

- **Utility Tax Phase-out**

Phases out the State sales tax on natural gas, electricity, heating oil, and propane used by residential customers beginning January 1, 2002. The tax is reduced to 4.0% on that date, and reduced another 1.0% each January 1 until the tax is entirely removed. The phase-out does not apply to local option sales taxes. The fiscal impact of the phase-out is a reduction in General Fund revenue equal to the following amounts:

 - \$ 8.8 million - FY 2002
 - \$26.5 million - FY 2003
 - \$44.2 million - FY 2004
 - \$61.9 million - FY 2005
 - \$79.6 million - FY 2006
 - \$88.5 million - FY 2007 and beyond

Income Tax

- **Ethanol Sales Promotion**

Provides a corporate or individual income tax credit for qualified gallons of ethanol-blended gasoline (gasohol) sold at retail stations in Iowa. The tax credit is equal to 2.5 cents per gallon. The credit applies to gasohol gallons sold at a station above a threshold of 60.0% of total annual gasoline and gasohol volume. It is estimated the tax credits will reduce General Fund receipts by \$500,000 in FY 2003 and \$1.3 million in FY 2004.

The tax credit will first be available January 1, 2001.

MAJOR IOWA TAX CHANGES (Cont'd.)

- **Subchapter S Corporations**
Allows Subchapter S corporations to deduct 100.0% of federal taxes paid in determining the amount of income subject to Iowa taxation. Current law allows a 50.0% deduction. It is estimated the Bill would reduce General Fund receipts by \$900,000 in FY 2003 and subsequent fiscal years.
- **Employee Stock Options**
Exempts 50.0% (25.0% in tax year 2001) of the capital gains on qualified stock options when the stock options were received on account of employment with the company. The Bill is projected to decrease General Fund receipts by \$1.0 million in FY 2003 and \$3.0 million in succeeding fiscal years.

The Bill has a retroactive effective date of January 1, 2001, for tax years beginning on or after that date.

- **Community Development and Daycare Tax Credits**
Provides tax credits for business investment in qualified community development projects and also for business investment in employee daycare. The Department of Economic Development must approve the projects, and the total value of statewide credits is limited to \$4.0 million per year. The Bill is projected to decrease General Fund receipts by \$1.0 million in FY 2002, \$5.0 million in FY 2003, and \$4.0 million in succeeding fiscal years.

The tax credits would be available beginning January 1, 2002. However, the Bill has a contingent effective date tied to a federal tax reduction of sufficient size to raise Iowa Income Tax receipts by at least \$7.9 million.

- **Internal Revenue Code Update**
Updates Iowa's revenue code to match changes made to the federal Internal Revenue Code. However, the Bill specifically excludes proceeds derived from the installment sale of business. If a business is sold and the buyer pays in a series of payments over a number of years, the seller will be subject to Iowa taxation based on the federal Internal Revenue Code definitions in place January 1, 2000.

MAJOR IOWA TAX CHANGES (Cont'd.)

The Bill would reduce FY 2002 and FY 2003 General Fund revenues by \$1.0 million.

Inheritance Tax

- **Inheritance Tax Threshold**
Raises the minimum estate size subject to any State estate tax from \$10,000 to \$25,000. The change is projected to reduce General Fund receipts by \$60,000 in FY 2002 and \$240,000 in FY 2003.

VISION IOWA PROGRAM



The Vision Iowa Program was created by the 2000 General Assembly to assist communities in developing major attractions. The Program funds projects costing at least \$20.0 million and involve primarily vertical infrastructure. The funded projects will have regional or statewide economic impact and the potential to attract out-of-state visitors. The maximum Vision Iowa funding for any one project is \$75.0 million. A minimum of 50.0% of the total project must be funded from local and other sources, excluding federal or other State moneys. A preference is given to projects with greater local funding. The Board anticipates issuing bonds totaling approximately \$180.0 million to fund the Vision Iowa projects.

During FY 2001, the Vision Iowa Board, chaired by Michael Gartner, has developed program guidelines, award review procedures, and administrative rules, which were implemented during December 2000. Early in calendar 2001, the Board began to receive and review applications for Vision Iowa awards. By April 30, nine applications had been received, and awards have been made to projects in Council Bluffs (\$24.0 million grant and \$7.0 million no-interest loan) and Dubuque (40.0 million grant), pending finalization of bond issuance. The Council Bluffs Mid American Recreation and Convention Complex includes convention facilities, an indoor/outdoor aquatics center, arena, restaurant, and hotel. The Dubuque America's River project features Mississippi River education and conference facilities, an aquarium, indoor water park, hotel, a National Historic Landmark steamboat, and access to the Dubuque Riverwalk and other riverfront activities. The remaining applications from Sioux City, Polk County, Waterloo, Davenport, McGregor-Marquette Area, and Waterloo/Black Hawk County are in various stages of review and negotiation and total \$200.4 million.

TOBACCO SETTLEMENT

On November 20, 1998, forty-six states approved a settlement agreement with the four major tobacco industry manufacturers comprising 99.4% of the United States cigarette market. The manufacturers agreed to a settlement valued at \$206.38 billion to be paid over 25 years to settle tobacco-related lawsuits filed by the states.

Iowa will receive approximately 0.87% (\$1.70 billion) of the total funds allocated for distribution to the states. Annual unadjusted payments to Iowa will initially increase on a yearly basis, beginning with \$55.8 million in April 2000 and increasing to \$73.0 million in April 2003. Iowa will then receive \$60.9 million annually for the years 2004 through 2007, \$62.1 million annually for the years 2008 through 2017, and \$69.6 million annually for the years 2018 through 2025.

The 2001 General Assembly passed SF 532 which authorizes securitization of the tobacco settlement payment. The Bill authorizes the sale of \$600.0 million tax-exempt and \$50.0 million taxable securities for 30 years. Bond proceeds are estimated to be \$576.8 million which will be placed in the Healthy Iowans Tobacco Trust. Interest on the proceeds will remain in the Trust. Funds within the Trust will be used for litigation payments, qualified capital projects, and appropriations for health-related programs.

As of April 30, 2001, Iowa had received tobacco settlement payments totaling \$125.2 million for FY 2000 and FY 2001. The 2000 General Assembly appropriated a total of \$119.6 million for FY 2001. Iowa is due to receive approximately \$61.9 million during FY 2002. The 2001 General Assembly appropriated \$ 57.2 million for FY 2002 for the following items (any funds available during FY 2001 but not appropriated remain in the Trust for use in future years):

TOBACCO SETTLEMENT

Healthy Iowans Tobacco Trust

<u>Department</u>	<u>FY 2002 Appropriation</u>	<u>Intended Use</u>
Corrections	\$ 609,999	Fund day programming and drug court programs.
Human Services	1,975,496	Expand Medicaid eligibility and services for special needs children.
Human Services	22,845,930	Increase Medicaid provider reimbursements.
Human Services	200,000	Supplement Children's Health Insurance Program (CHIP) FY 2002 funding.
Human Services	250,000	Breast/Cervical Cancer Treatment - Provide Medicaid coverage for certain treatments for women eligible for Medicaid.
Human Services	7,500,000	Supplement FY 2002 Medicaid appropriation from the General Fund.
Public Health	23,795,394	Fund substance abuse treatment, tobacco use and cessation programs, and the Healthy Iowans 2010 Program.
Total	<u>\$ 57,176,819</u>	

In addition, funds from the Savings Account for Healthy Iowans and funds remaining from the FY 2001 appropriations for local purchase of service providers salaries were appropriated as follows:

Healthy Iowans Tobacco Trust

<u>Department</u>	<u>FY 2002 Appropriation</u>	<u>Intended Use</u>
Iowa Empowerment Fund	\$ 1,153,250	Supplement the appropriation for the School Ready Grants for Community Empowerment.
Public Health	2,000,000	Creating a substance abuse facility for persons on probation.
Total	<u>\$ 3,153,250</u>	

SENIOR LIVING TRUST FUND



House File 740 (Senior Living Trust Appropriations Bill) appropriates a total of \$51.8 million and 13.0 FTE positions from the Senior Living Trust Fund to the Department of Elder Affairs and the Department of Human Services (DHS).

The Fund provides moneys to the Department of Elder Affairs for the Senior Living Program and to the DHS for nursing facility conversion grants, alternative long-term care services, and to phase-in the cost-based case-mix nursing facility reimbursement system.

The Senior Living Trust Fund was created in FY 2001 as the result of federal revenues that were paid to the State due to the adjustment of charges from the State to the Health Care Financing Administration (HCFA) for the Medical Assistance (Medicaid) Program. It is estimated that the Fund may have an ending value of \$217.6 million by FY 2005; however, federal payments into the Fund will decline over time and eventually cease. In addition, the amounts appropriated from the Trust Fund will impact its ending value.

For FY 2002, the Bill appropriates from the Trust Fund:

- \$5.3 million and 8.0 FTE positions to the Department of Elder Affairs for the Senior Living Program, dependent adult abuse detection, training, services, and recruitment and retention strategies for certified nursing assistants.
- \$20.0 million for nursing facility conversion grants that would allow nursing facilities to convert to assisted living programs.
- \$1.7 million and 5.0 FTE positions to the DHS to supplement the Medical Assistance appropriation through the Home and Community-Based Waiver and the State Supplementary Assistance Program.
- \$24.8 million for nursing facility provider reimbursements or reimbursement methodology changes.

ENVIRONMENT FIRST FUND



The Environment First Fund was created in Senate File 2453 (Infrastructure Appropriations Bill) by the 2000 General Assembly to provide funding for the protection, conservation, enhancement, or improvement of natural resources or the environment. The Bill also established a \$35.0 million standing appropriation from the Rebuild Iowa Infrastructure Fund to the Environment First Fund. The General Assembly annually appropriates from the Environment First Fund for specific environmental projects. For FY 2002, the appropriations include funding of \$18.2 million for the water quality initiatives, \$2.0 million for the Brownfield Redevelopment Program, \$10.0 million for the Resource Enhancement and Protection (REAP) Fund, and \$4.8 million for a variety of other environmental purposes.

OTHER ENVIRONMENTAL APPROPRIATIONS

In addition to the appropriations from the Environment First Fund, the General Assembly also appropriated \$4.5 million from the Tobacco Settlement Trust Fund for FY 2002 for environmental and recreational purposes. The appropriations include \$2.5 million for the Restore the Outdoors Program, \$1.0 million to fund a portion of the cost to construct a new Destination State Park, and \$1.0 million for Recreational Trails.

ENVIRONMENT FIRST FUND (Cont'd.)

Environment First Fund	
(\$ in millions)	
Resources	FY 2002
Rebuild Iowa Infrastructure Fund Approp.	\$ 35.0
Appropriations	
Department of Agriculture	
Conservation Reserve Enhancement Program (CREP)	\$ 1.5
Watershed Protection Program	2.7
Farm Demonstration Program	0.9
Agricultural Drainage Systems	1.0
Soil Conservation Cost Share	7.5
Accelerated Buffer Strips	1.5
Loess Hills Conservation Authority	0.8
So. Iowa Conservation Authority	0.3
Total Department of Agriculture	\$ 16.2
Department of Natural Resources	
GIS Development	\$ 0.2
Volunteer Water Quality Initiatives	0.1
Water Quality Monitoring	2.5
Pollution Discharge Permits	0.2
Floodplain Protection Program	0.2
Lake Dredging	0.5
Marine Fuel Tax Capital Projects	2.3
REAP Formula Allocation	10.0
Trees Program	0.3
Lewis and Clark	0.1
Waste Tires	0.5
Total Department of Natural Resources	\$ 16.8
Other Environmental Programs	
DOT - Borrow Area Redevelopment	0.1
DED - Brownfield Development	2.0
Total Other Environmental Programs	\$ 2.1
Total Appropriations	\$ 35.0

GIS = Geographic Information System

REAP = Resource Enhancement and Protection Fund

DOT = Department of Transportation

DED = Department of Economic Development

Note: Totals may not add due to rounding.

STUDENT ACHIEVEMENT AND TEACHER QUALITY BILL



During the 2001 Legislative Session, the General Assembly passed House File 413 (Student Achievement and Teacher Quality Appropriations Bill) and Senate File 476 (Student Achievement and Teacher Quality Policy Bill).

House File 413 appropriates \$40.0 million in FY 2002 from the Healthy Iowans Tobacco Trust to the Department of Education for the Student Achievement and Teacher Quality Program. The appropriation is to implement the following programs in SF 476:

- Up to \$1.0 million to the Department of Education to create a Team-Based Variable Pay Pilot Program. The per pupil amount shall not exceed \$100.
- Up to \$1.9 million to the Department of Education for National Board Certification awards.
- Up to \$2.4 million to the Department of Education for the Beginning Teacher Mentoring and Induction Program. If sufficient funds are available, each district shall receive \$1,300 per beginning teacher, and \$500 per semester shall be awarded to the mentor.
- Up to \$1.5 million to the Department of Education for the establishment of an Evaluator Training Program and for Department administrative costs.
- Up to \$1.5 million to the Department of Education for implementing the Career Development Program and for Department administrative costs.
- Up to \$500,000 to the Board of Educational Examiners for fees and costs related to the Praxis II examination.
- Up to \$31.2 million to school districts (based 50.0% on enrollments and 50.0% on the number of FTE teachers) and area education agencies in FY 2002. The funds are to be used to enhance teacher salaries, subject to minimum salaries specified in the Bill and to collective bargaining negotiations.

House File 413 specifies that money appropriated for the purposes of the Student Achievement and Teacher Quality Program not revert to the General Fund. It allows school districts that choose not to participate in the Student Achievement and Teacher Quality Program in FY 2001 to

**STUDENT ACHIEVEMENT AND
TEACHER QUALITY BILL (Cont'd.)**

until the end of FY 2003 or until the school district participates in the Program, whichever comes first.

House File 413 also specifies that any moneys in excess of the maximum balance in the Economic Emergency Fund in the General Fund at the end of FY 2001 and FY 2002 be transferred to the Healthy Iowans Tobacco Trust. The amount transferred in FY 2001 shall not exceed \$40.0 million and the amount transferred in FY 2002 shall not exceed the difference between \$40.0 million and the amount transferred in FY 2001. This is contingent upon passage of SF 532 (Tobacco Securitization Bill).

GOVERNMENT FINANCE AND TAXATION

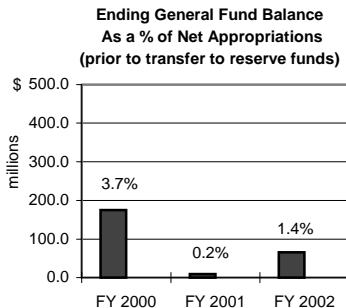
MANAGING IOWA’S MONEY - CURRENT LAW



In recent years the Legislature proposed and the State of Iowa has implemented sound financial practices to achieve financial stability. Ongoing expenses have been brought into line with current revenues and the General Fund deficit, as calculated under Generally Accepted Accounting Principles (GAAP), has been eliminated. In the 1980s and early 1990s, Iowa experienced serious financial problems including tax revenues below expectations; expenditures above budget; and a lack of reserves. The Legislature has established spending limits and has reformed the budget process restoring fiscal integrity, improving cash flow, and creating balances in reserve funds.

The Governor and the General Assembly have statutory responsibility to balance the budget. In 1992, several statutory reforms were enacted to provide long-term solutions to the State’s budget problems. These included the “Expenditure Limitation” laws.

- Spending is limited to 99.0% of adjusted revenues, 95.0% of any new revenue implemented in a fiscal year, and any carry-over from the previous year.
- The Governor and the Legislature are required to use the revenue estimates agreed to by the December Revenue Estimating Conference as a basis to determine the General Fund Budget for the following fiscal year.
- Three reserve accounts or funds have been created: the Cash Reserve Fund; the GAAP Deficit Reduction Account; and the Economic Emergency Fund (Rainy Day Fund).
- Expenditures from these reserve funds are limited by statute.



**IOWA'S RESERVE FUNDS
SAVING FOR AN EMERGENCY
CURRENT LAW**

Cash Reserve Fund

- The year-end General Fund Surplus (ending balance) is appropriated to the Cash Reserve Fund.
- The cash reserve goal is 5.0% of the General Fund revenues.
- Expenditures from the Cash Reserve Fund are limited to nonrecurring emergency expenditures.

**Generally Accepted Accounting Principles (GAAP)
Deficit Reduction Fund**

- Unexpended money from the General Fund, after the Cash Reserve Fund target is made, is also deposited to the GAAP Fund.
- Funds are appropriated for the purpose of eliminating the State's GAAP deficit. The GAAP deficit was eliminated during FY 1995.

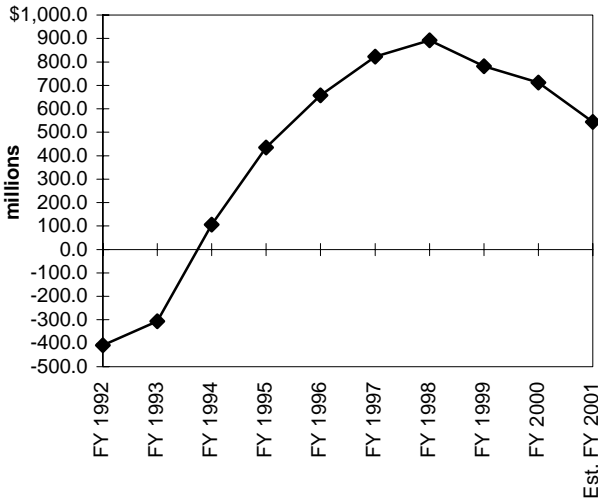
The Economic Emergency Fund (These funds are also known as budget stabilization or Rainy Day Funds.)

- Established in 1984 and modified in recent years.
- The maximum balance of the Fund is 5.0% of the adjusted General Fund revenue estimate.
- Once all GAAP obligations are retired, remaining funds are credited to the Economic Emergency Fund.
- Spending from the Fund is limited to emergency expenditures.

**Reserve Fund Balances
(\$ in millions)**

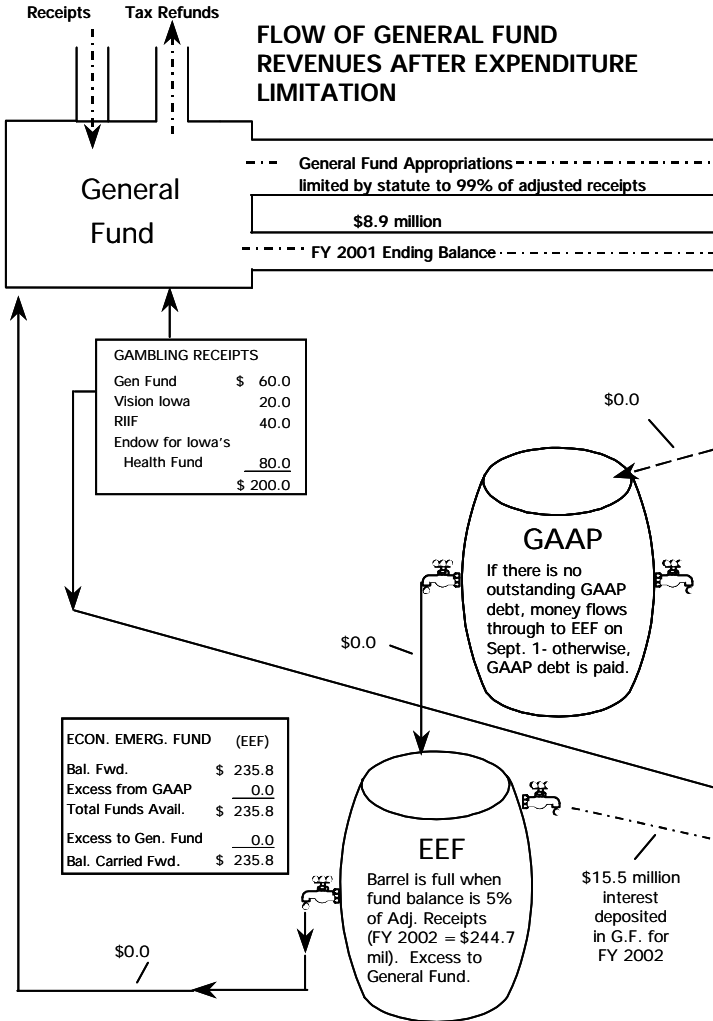
Fund	Actual 2000	Est. 2001	Est. 2002
Cash Reserve	\$ 229.9	\$ 235.8	\$ 244.7
GAAP	0.0	0.0	0.0
Economic Emerg.	229.9	235.8	235.8

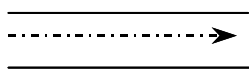
**GENERAL FUND BALANCE
UNRESERVED - GAAP BASIS
FY 1992 - FY 2001**



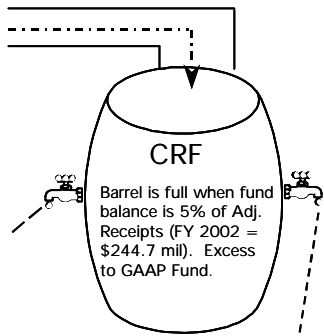
GAAP = Generally Accepted Accounting Principles

- Changes in the budgetary/legal basis fund balance will have a direct impact on the GAAP basis fund balance.
- In FY 1992, the State initiated a plan to eliminate the GAAP deficit by FY 1995. Budget reform initiatives, a solid Iowa economy, implementation of Governmental Accounting Standards Board Statement No. 22, (*Accounting For Taxpayer-Assessed Tax Revenues in Governmental Funds*), and a 25.0% increase in the State sales, services, and use tax, were the primary reasons for the early elimination of the GAAP deficit.





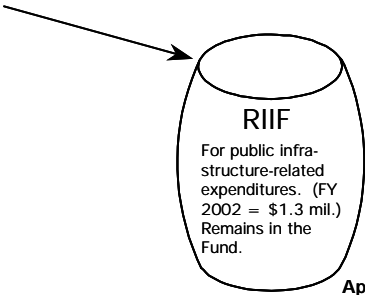
FY 2002
 Gen. Fund Appropriations = \$4.843 billion
 Est. Ending Balance = \$66.0 million



Barrel is full when fund balance is 5% of Adj. Receipts (FY 2002 = \$244.7 mil). Excess to GAAP Fund.

CASH RESERVE FUND (CRF)	
Bal. Fwd.	\$ 235.8
FY 00 End Bal.	<u>8.9</u>
Total Funds Avail.	244.7
Excess to GAAP	<u>0.0</u>
Bal. Carried Fwd. (5% Goal)	\$ 244.7

\$15.6 million interest deposited in G.F. for FY 2002



RIIF
 For public infrastructure-related expenditures. (FY 2002 = \$1.3 mil.) Remains in the Fund.

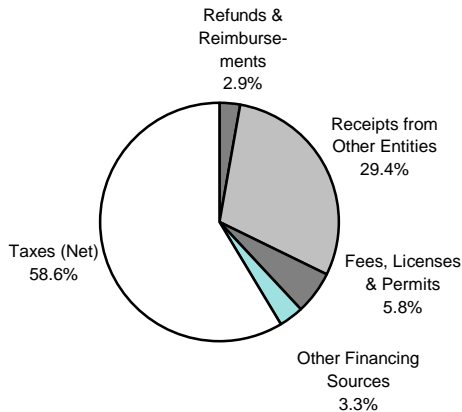
Appropriations

REBUILD IOWA INFRASTRUCTURE FUND (RIIF)	
Bal. Fwd.	\$ 4.6
Interest	2.7
Marine Fuel Tax	2.3
Gaming Revenue	<u>4.0</u>
Total Fund Avail.	49.6
Appropriations	<u>48.3</u>
Balance Carried Forward	\$ 1.3

STATE FUNDING SOURCES AND EXPENDITURES

Most State operations are accounted for through governmental fund types: General, Special Revenue, and Capital Projects. Governmental revenues and other financing sources totaled \$9.1 billion for FY 2000. Net tax receipts increased \$354.0 million (7.1%) compared to FY 1999. Net fees, licenses, and permits increased \$22.8 million (4.5%) compared to FY 1999.

FY 2000 Governmental Revenues and
Other Financing Sources

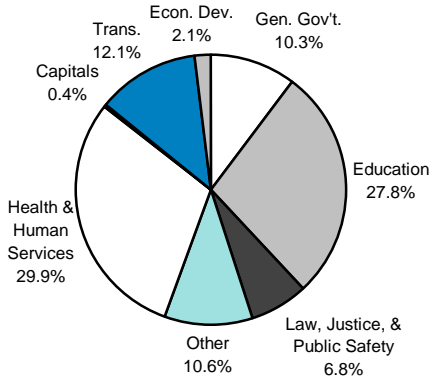


Note:

Includes all Iowa governmental fund types, expendable trust funds, and component units (State Fair, Iowa Finance Authority, etc.).

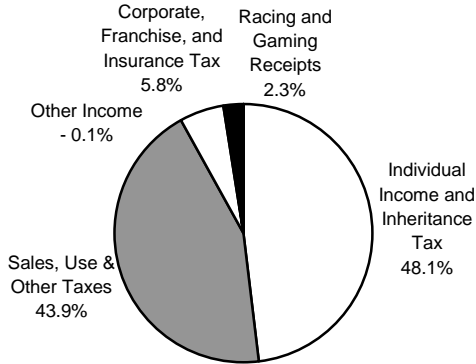
**STATE FUNDING SOURCES
AND EXPENDITURES (Cont'd.)**

FY 2000 Governmental Expenditures and
Other Financing Uses



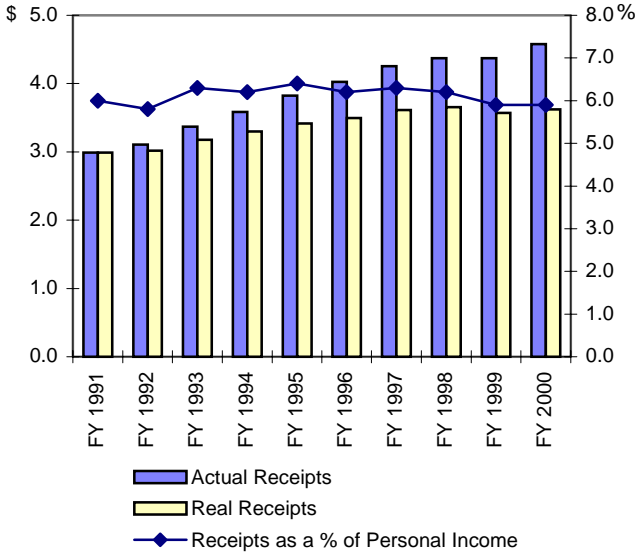
Governmental expenditures and other financing uses totaled \$8.894 billion for FY 2000. Transportation had the largest increase of \$214.5 million (25.0%) compared to FY 1999. Health and Human Services increased \$171.6 million (6.9%), and Education increased \$156.1 million (6.7%) compared to FY 1999. The amounts listed are all from State funds in the categories of General, Special Revenue, and Capital projects.

SOURCES OF GENERAL FUND GROWTH FY 1992 - Estimated FY 2001



- Total receipts net of refunds increased \$1.517 billion (48.0%) from 1992 to estimated FY 2001. This represents an average annual growth rate of (5.3%).
- Since FY 1992, growth in personal income and inheritance tax accounted for 48.1% of the total increase in General Fund receipts. Sales and use tax (including beer, cigarette, and liquor profit transfers) was second, and accounted for 43.9% of the total increase. Taxes paid by businesses (corporate income, franchise tax, and insurance tax) account for 5.8% of the increase.
- Fiscal Year 2002 total tax receipts are estimated to increase 4.3% compared to estimated FY 2001. Other receipts are estimated to decrease 1.2% compared to estimated FY 2001. Total receipts less refunds (net receipts) are estimated to increase 3.1% compared to estimated FY 2001.

**GENERAL FUND RECEIPTS HISTORY
FY 1991 - FY 2000
(\$ in billions)**



- Actual General Fund Receipts are not adjusted for inflation and are net of refunds.
- Real Receipts are net General Fund Receipts adjusted for inflation, using the Consumer Price Index (1991=100).
- Receipts as a Percentage of Personal Income are actual net receipts divided by Personal Income. This is a measure of the change in the magnitude of the General Fund relative to the Iowa economy.
- From FY 1991 through FY 2000, Iowa General Fund net receipts (includes transfers and after refunds) grew \$1.585 billion (53.0%). Adjusted for inflation, the growth was \$0.628 billion. During that same period, Iowa's total State personal income grew \$28.352 billion (56.9%).
- In FY 1991, Iowa General Fund net receipts equaled 6.0% of total State personal income. In FY 2000, net General Fund receipts equaled 5.9% of personal income.

MAJOR STATE AND LOCAL TAX SOURCES

State Taxes	2001 Rate	Description
Individual Income Tax	0.36% to 8.98%	<ul style="list-style-type: none"> • Tax is paid on personal net income earned in Iowa. For tax year 2001, the filing threshold for a couple is \$13,500. The top rate applies to couple's taxable income in excess of \$53,325.
Sales and Use Tax	5.00%	<ul style="list-style-type: none"> • Tax is paid on the final sale of most goods and services. Food, prescription drugs, and professional services are the major exemptions.
Motor Vehicle Fuel Tax		<ul style="list-style-type: none"> • Tax is paid on purchases of various gas and fuel sources. Receipts are deposited in the Road Use Tax Fund.
Gasoline	\$0.200 per gallon	
Ethanol	\$0.190 per gallon	
Diesel	\$0.225 per gallon	
Liquid Propane	\$0.200 per gallon	
Aviation Gasoline	\$0.080 per gallon	
Aviation Jet Fuel	\$0.030 per gallon	
Compressed Nat. Gas	\$0.16/100 cubic feet	
Corporate Income Tax	6.00% to 12.00%	<ul style="list-style-type: none"> • Tax is paid on net income of corporations doing business within Iowa. Top rate applies to taxable income over \$250,000.
Insurance Premium Tax	2.00%	<ul style="list-style-type: none"> • Tax is imposed on adjusted gross amount of premiums of every insurance company except fraternal beneficiary associations.
Cigarette Tax	\$0.36 per package	<ul style="list-style-type: none"> • Tax is imposed on the sale of cigarettes.
Tobacco Tax	22.00%	<ul style="list-style-type: none"> • Tax is imposed on the wholesale price of tobacco, excluding tobacco subject to the cigarette tax.
Franchise Tax	5.00%	<ul style="list-style-type: none"> • Tax is imposed on the deposits of most types of banks and financial institutions.
Inheritance Tax	1.00% to 15.00%	<ul style="list-style-type: none"> • Tax is imposed on beneficiaries other than lineal descendants. Rates and brackets vary according to relationship of beneficiary to the deceased.

**MAJOR STATE AND LOCAL
TAX SOURCES (Cont'd.)**

State Taxes	2001 Rate	Description
Beer Tax	\$5.89 per barrel	<ul style="list-style-type: none"> • Tax is imposed on the wholesale price of beer, per 31 gallon barrel.
Drug Stamp Tax		<ul style="list-style-type: none"> • Drug stamp tax is imposed on dealers in possession of various controlled substances.
Marijuana	\$5.00 per gram	
Other Taxable Subst. Not Sold by Weight	\$250.00 per gram	
Taxable Substances Sold by Weight	\$400.00 per 10 doses	
Real Estate Transfer Tax	\$0.80 per \$500 of transferred real property	<ul style="list-style-type: none"> • Tax is imposed on the transfer of real estate. The county retains 17.25%. The State General Fund receives 78.61%. The Housing Improvement Fund receives 4.14%.
Local Taxes	2001 Rate	Description
Property Tax	Varies - the average rate is approximately 3.0% of taxable valuation.	<ul style="list-style-type: none"> • Tax is imposed on the taxable assessed value of real property, including land and buildings. Tax is being phased out for machinery, equipment, and computers.
Local Option Sales Tax	1.00%	<ul style="list-style-type: none"> • Tax is added to general State sales tax. State remits collections to local cities and counties.
Local Option Sales Tax for Schools	1.00%	<ul style="list-style-type: none"> • Tax is added to general State sales tax. State remits collections to school districts.
Hotel/Motel Tax	Varies - it may not exceed 7.00%.	<ul style="list-style-type: none"> • Tax is imposed on the gross receipts of hotel and motel room rentals. Disbursed to local governments imposing the tax.
Individual Income School District tax	Varies - it may not exceed 20.00% of State income tax liability.	<ul style="list-style-type: none"> • Tax is imposed by school districts on residents' State income tax payments.
Franchise Tax	0.05%	<ul style="list-style-type: none"> • Tax is imposed on the income of most types of banks and financial institutions. Counties and cities share an \$8.0 million distribution.
Real Estate Transfer Tax	\$0.80 per \$500 of transferred real property	<ul style="list-style-type: none"> • Tax is imposed on the transfer of real estate. The county retains 17.25%.

GENERAL FUND RECEIPTS
(\$ in millions)

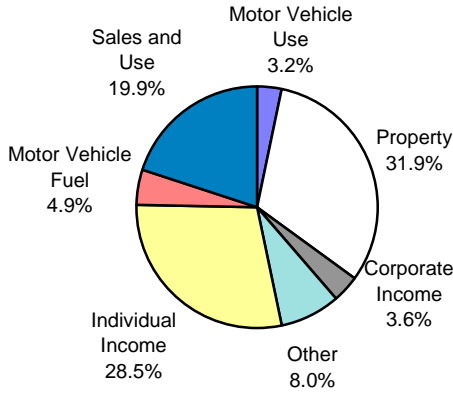
	Estimated FY 2002 REC	Percent of Total Receipts
Tax Receipts		
Personal Income Tax	\$ 2,565.3	47.6%
Sales Tax	1,500.0	27.8%
Use Tax	260.2	4.8%
Corporate Income Tax	323.2	6.0%
Inheritance Tax	103.6	1.9%
Insurance Premium Tax	130.4	2.4%
Cigarette Tax	87.2	1.6%
Tobacco Tax	7.2	0.1%
Beer Tax	14.1	0.3%
Franchise Tax	31.9	0.6%
Miscellaneous Tax	1.3	0.0%
Total Tax Receipts	5,024.4	93.2%
Other Receipts		
Institutional Payments	49.3	0.9%
Liquor Transfers		
A. Profits	37.0	0.7%
B. 7% Gross Rev.	9.0	0.2%
Interest	14.5	0.3%
Fees	69.0	1.3%
Judicial Revenue	53.3	1.0%
Miscellaneous	36.1	0.7%
Racing and Gaming	60.0	1.1%
Transfers	37.7	0.7%
Total Other Receipts	365.9	6.8%
Total Receipts	5,390.3	100.0%
Refunds	- 565.0	- 10.5%
Net Receipts	\$ 4,825.3	89.5%

REC = Revenue Estimating Conference (April 2001)

Note:

Totals may not add due to rounding.

**DISTRIBUTION OF MAJOR STATE AND LOCAL
TAX SOURCES - ESTIMATED FY 2001
(\$ in millions)**



Other = Inheritance (1.2%), Insurance Premium (1.4%), Cigarette/Excise (1.3%), Franchise (0.4%), Local Option Sales (2.9%), Local Option Income (0.5%), and Hotel/Motel (0.3%)

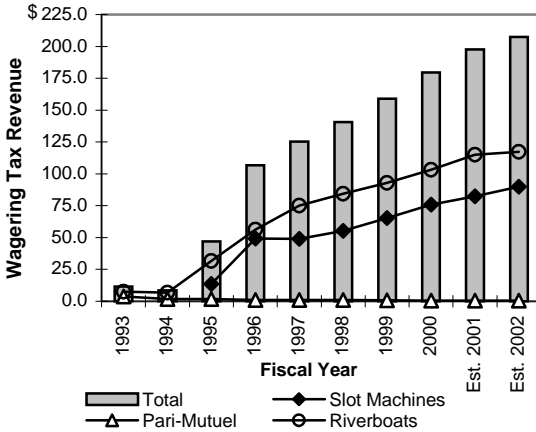
Tax	Rate	Estimated FY 2001	Percent of Major Tax Sources
Property	3.08%	\$ 2,707.3	31.9%
Individual Income	0.36% - 8.98%	2,421.5	28.5%
Sales & Use	5.00%	1,697.4	19.9%
Local Option Sales	1.00% - 2.00%	250.0	2.9%
Local Option Inc.	20.0% st. inc. tax	41.5	0.5%
Hotel/Motel	up to 7.00%	23.0	0.3%
Motor - Fuel	\$0.19 - \$0.23	419.6	4.9%
Corporate Income	6.00% - 12.00%	308.9	3.6%
Motor - Use	5.00%	274.9	3.2%
Insurance Premium	2.00%	123.2	1.4%
Cig./Excise*	\$0.36 per pack	111.5	1.3%
Inheritance	1.00% - 15.00%	103.1	1.2%
Franchise	5.00%	31.9	0.4%
Total		\$ 8,513.8	100.0%

*Amount includes Beer and Tobacco taxes.

Note:

Totals may not add due to rounding.

STATE GAMBLING

Wagering Tax Revenue
(\$ in millions)

Slot machine revenues represent slots located with racetracks.

- Riverboat and racetrack owners pay a wagering tax on gambling revenue. The amount of wagering tax is calculated by formula and depends on the type of gambling involved. The wagering tax is then distributed by formula to:
 - The city in which the excursion gambling boat or racetrack is located.
 - The county in which the excursion gambling boat or racetrack is located.
 - The Gambling Treatment Fund.
 - The State General Fund.
 - The Vision Iowa Fund.
 - The School Infrastructure Fund.
 - The Endowment for Iowa's Health Account of the Tobacco Settlement Trust Fund.
 - The Rebuild Iowa Infrastructure Fund.
- Wagering tax revenue from these sources has been estimated by the Revenue Estimating Conference to be \$197.7 million in FY 2001 and \$207.5 million in FY 2002, which does not include \$4.3 million in racetrack admission fees each year.
- A tenth riverboat began operation in Osceola on January 1, 2000.

STATE GAMBLING (Cont'd.)

**Wagering Tax Revenue
(\$ in millions)**

Fiscal Year	Pari-Mutuel	Riverboats	Slot Machines	Total
1993	\$ 3.9	\$ 7.6	NA	\$ 11.5
1994	1.7	6.8	NA	8.5
1995	1.7	31.7	\$ 13.5	46.9
1996	1.1	56.4	49.3	106.8
1997	1.1	75.3	48.9	125.3
1998	1.0	84.5	55.2	140.7
1999	0.8	92.9	65.4	159.1
2000	0.6	103.3	75.8	179.7
Est. 2001	0.5	114.9	82.4	197.8
Est. 2002	0.5	117.2	89.8	207.5

Notes:

- 1) Cities and counties, in which the gaming takes place, each receive 0.5% of the adjusted gross receipts for off-the-top allocations.
- 2) The next \$60.0 million in gambling revenues is deposited into the General Fund. After the General Fund deposit, a \$15.0 million annual transfer is made to the Vision Iowa Fund, a \$5.0 million transfer is made to the School Infrastructure Fund.
- 3) Should funds be available after the above allocation and transfer of \$80.0 million, a maximum of \$80.0 million is to be deposited into the Endowment for Iowa's Health Account of the Tobacco Settlement Trust Fund during FY 2002, \$75.0 million during FY 2003, and \$70.0 million for each year, FY 2004 through FY 2007.
- 4) Any remaining State wagering tax revenue is transferred to the Rebuild Iowa Infrastructure Fund.

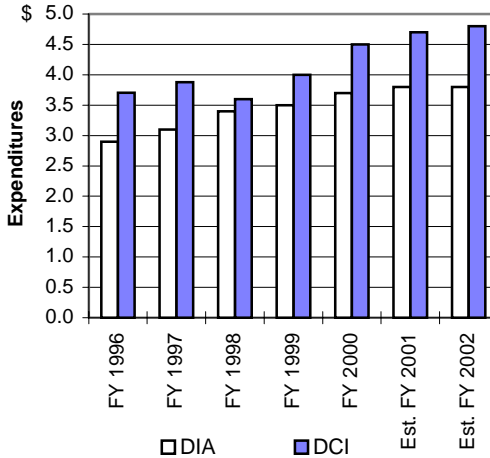
**Regulatory Expenditures
(\$ in millions)**

	Actual FY 2000	Estimated FY 2001	Estimated FY 2002
Riverboats			
DCI	\$ 4.0	\$ 4.2	\$ 4.3
DIA	\$ 1.5	\$ 1.5	\$ 1.5
Pari-Mutuel			
DCI	\$ 0.5	\$ 0.5	\$ 0.5
DIA	\$ 2.2	\$ 2.3	\$ 2.3

DCI = Division of Criminal Investigation

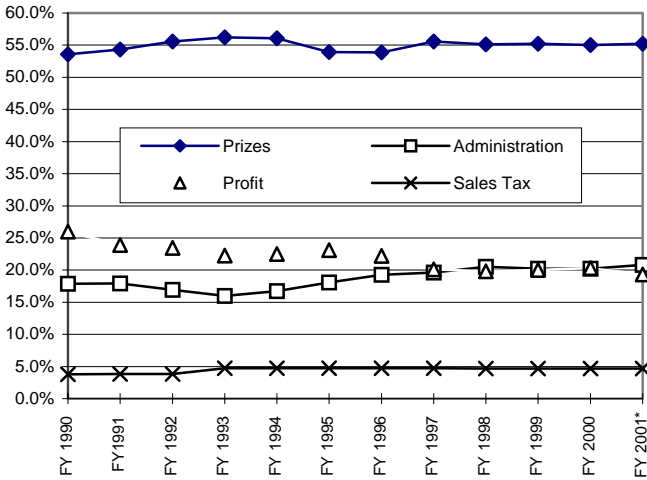
DIA = Department of Inspections and Appeals

STATE GAMBLING (Cont'd.)

Regulatory Expenditures
(\$ in millions)

- The Racing and Gaming Commission within the Department of Inspections and Appeals (DIA) processes occupational license applications; prepares administrative rules; reviews incident reports, licensing applications, and background checks; and observes activities to insure compliance with laws and regulations.
- The Division of Criminal Investigation (DCI) of the Department of Public Safety performs background checks and provides on-site enforcement of regulations.

LOTTERY EXPENSES AS A PERCENT OF TOTAL REVENUE

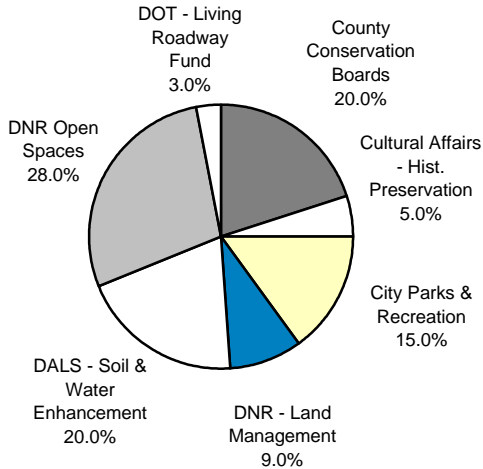


- From Lottery inception through FY 1997, annual Lottery profits exceeded annual Lottery administration expenses as a percent of total revenue. Due to declining sales and increased incentives for Lottery retailers, Lottery administrative expenses have been approximately equal to Lottery profits since FY 1997.
- The percentage of Lottery revenue returned to Lottery players in the form of prizes has been approximately 55.0% beginning in FY 1997.

*The FY 2001 information is through March 2001.

RESOURCE ENHANCEMENT AND PROTECTION (REAP) FUND

REAP Fund Allocations



Funding for the Resource Enhancement and Protection (REAP) Fund is appropriated from the Environment First Fund. The REAP Fund formula allocates 1.0% off-the-top for the Department of Natural Resources for administration and \$350,000 for conservation education. After the off-the-top allocations, the remainder of the appropriation is divided as shown above. The distribution formula is statutory. In FY 1996, \$8.0 million was appropriated for the REAP Fund, and \$9.0 million was appropriated each year in FY 1997 through FY 1999. The General Assembly appropriated \$10.5 million for FY 2000 and FY 2001 and \$10.0 million for FY 2002.

DOT = Department of Transportation

DALS = Department of Agriculture & Land Stewardship

DNR = Department of Natural Resources

IOWA'S CASH MANAGEMENT PRACTICES

Iowa's cash is managed by the State Treasurer's Office. To earn the most interest possible, cash is invested as soon as it is collected, while enough cash remains on hand to pay State bills. Funds of State agencies which are temporarily available for investment are pooled together and invested in certificates of deposit, U.S. Treasury bills and notes, and other corporate debt instruments as allowed by law. Investment goals are set by statute:

- Safety - restrictions on types of investments, limits on credit risk, maturities, and use of leverage is prohibited.
- Liquidity - always have the next 60 days of bills funded; purchase liquid securities.
- Yield - core portfolio invested for longer periods; use of laddered maturities.

The current size of the investment pool is approximately \$1.5 billion. The realized cash annual rate of return for FY 2000 was 5.85%.

DEBT MANAGEMENT

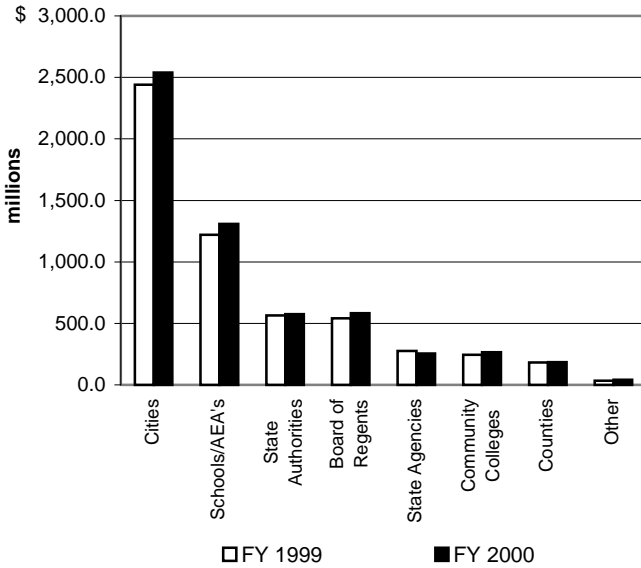
The State of Iowa reported total outstanding debt of \$5.8 billion on June 30, 2000, for all governmental entities. This represents an increase of \$246.0 million (4.5%) compared to

FY 1999. Debt financing is used for a variety of purposes which include: construction and renovation of public buildings, schools, housing and urban development, utilities, jails and prisons, park and recreational facilities, and local streets and parking lots.

A variety of financing mechanisms are available for use by the State and local units of government for public infrastructure improvements. These include:

- General obligation bonds
- Revenue bonds
- Certificates of participation (lease purchase)
- Special assessments on property
- Tax increment financing
- Special tax allocation and dedication such as hotel and motel taxes

OUTSTANDING DEBT BY ENTITY



Entity	FY 1999	FY 2000
Cities	\$ 2,439,875,212	\$ 2,538,313,175
Schools/AEA's	1,221,540,846	1,308,168,154
State Authorities	565,187,678	574,311,671
Board of Regents	542,423,470	582,379,027
State Agencies	275,805,000	254,720,000
Community Colleges	243,458,339	266,278,828
Counties	183,111,314	184,820,167
Other	33,983,989	42,402,587
Total	\$ 5,505,385,848	\$ 5,751,393,609

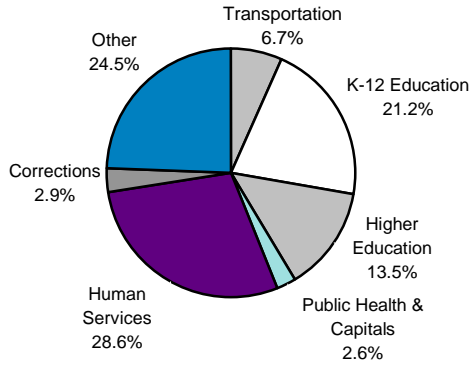
BUDGETS AND APPROPRIATIONS

IOWA'S BUDGET PROCESS

- The Governor and the State Legislature allocate state resources and set revenue collection levels through the budgeting process.
- The process begins in June of each year for the fiscal year which starts 12 months later on July 1.
- State agencies prepare budget requests within the guidelines set by the Governor and submit their requests by October 1.
- The Revenue Estimating Conference meets before December 15 to set revenue estimates which will serve as a basis for the General Fund budget for the following fiscal year.
- The Governor submits annual recommendations to the Legislature in January.
- By statute, the Governor's budget must be balanced and must meet expenditure limitations.
- The Legislature conducts budget hearings during January and February. Recommendations from the nine joint budget subcommittees are passed on to Appropriations Committees and the floor for debate in each chamber.
- The State Constitution allows the Governor line-item veto authority over appropriations bills.



**APPROPRIATED SPENDING
FY 2002
(\$ in millions)**

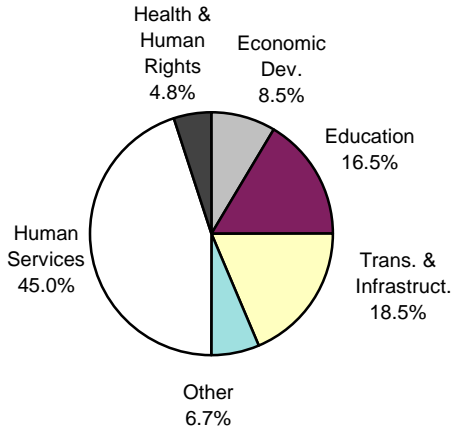


Categories	Est. FY 2002 Appropriations	Percentage
K-12 Education	\$ 1,806.5	21.2%
Higher Education	1,149.4	13.5%
Public Health	129.7	1.5%
Human Services	2,426.1	28.6%
Corrections	247.5	2.9%
Transportation	563.3	6.7%
Capitals	94.4	1.1%
Other	2,088.5	24.5%
Total	\$ 8,505.4	100.0%

Notes:

- 1) This represents appropriations from the General Fund and Other Funds. For information on General Fund Appropriations, see page 2.
- 2) This represents Appropriated Federal Funds.

**NON-GENERAL FUND APPROPRIATED FUNDS
ESTIMATED FY 2002
(\$ in millions)**

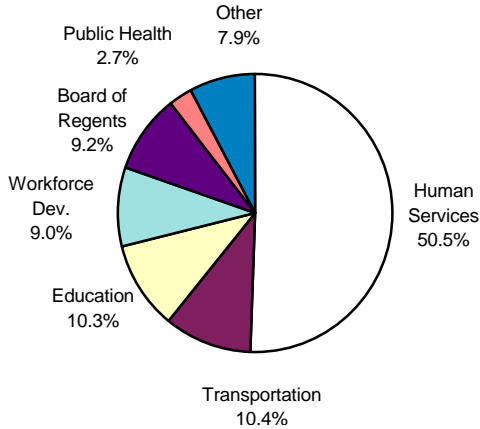


Subcommittee	Estimated FY 2002 Appropriations	Percent of Total
Admin. & Regulation	\$ 111.8	3.0%
Ag. & Natural Resources	67.2	1.9%
Economic Development	310.6	8.5%
Education	602.8	16.5%
Health & Human Rights	178.7	4.8%
Human Services	1,646.7	45.0%
Justice System	50.6	1.4%
Trans. & Infrastructure	677.3	18.5%
Oversight & Comm.	13.0	0.4%
Total	\$ 3,658.7	100.0%

Notes:

- 1) Sources of non-General Fund appropriations include, but are not limited to: federal funds, the Road Use Tax Fund, the Primary Road Fund, the Tobacco Settlement Fund, and the Rebuild Iowa Infrastructure Fund.
- 2) "Other" includes Administration and Regulation, Agriculture and Natural Resources, Justice System, and Oversight and Communications.
- 3) Totals may not add due to rounding.

**FEDERAL FUNDS
ESTIMATED FY 2002
(\$ in millions)**

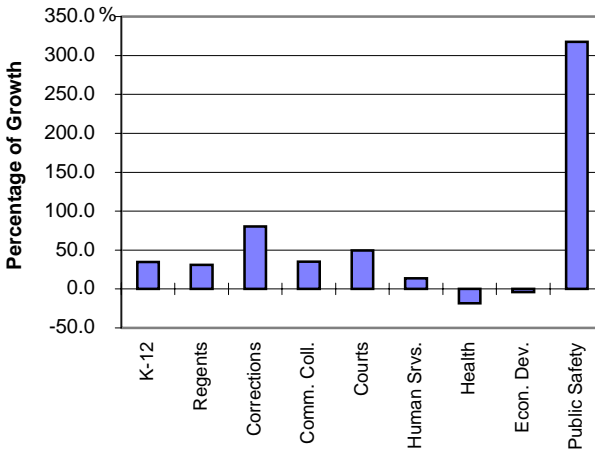


<u>Department</u>	<u>Est. FY 2002</u>	<u>Percent of Total</u>
Human Services	\$ 1,411.5	50.5%
Transportation	290.9	10.4%
Education	288.8	10.3%
Board of Regents	257.2	9.2%
Workforce Development	252.6	9.0%
Public Health	74.7	2.7%
Other	220.4	7.9%
Department Total	<u>\$ 2,796.1</u>	<u>100.0%</u>

Notes:

- 1) "Other" includes all other State agencies reporting federal funds.
- 2) Totals may not add due to rounding.

**GROWTH OF SELECTED
GENERAL FUND BUDGETS
FY 1993 - FY 2002**



**CHANGE IN SELECTED BUDGETS
FY 1993 - FY 2002
(\$ in millions)**

Budget	Difference	Percent Difference
K-12	\$ 464.5	34.6%
Regents	160.4	30.8%
Corrections	107.9	80.4%
Community Colleges	37.1	35.0%
Courts	38.7	49.4%
Human Services	94.6	13.8%
Public Health	- 6.2	- 18.2%
Economic Development	- 0.9	- 4.1%
Public Safety	45.2	317.4%
Selected Budgets Total	\$ 941.3	67.0%
Total Other Changes	463.8	33.0%
Total Increase	\$ 1,405.1	100.0%

INFRASTRUCTURE FUNDING

The Rebuild Iowa Infrastructure Fund (RIIF) was established in Section 8.57(5), Code of Iowa, to be used for public infrastructure-related expenditures as directed by the General Assembly. Prior to FY 2002, the Fund received revenue from the following sources:

- The interest earned by the Cash Reserve Fund and the Economic Emergency Fund in accordance with Sections 8.55(4) and 8.56(1), Code of Iowa.
- Wagering Tax revenues in excess of \$80.0 million. The first \$60.0 million was deposited in the General Fund, the next \$15.0 million to the Vision Iowa Fund, and the next \$5.0 million to the School Infrastructure Fund.
- The Rebuild Iowa Infrastructure Fund also retains interest earned on itself and receives Marine Fuel tax receipts, after the first \$411,000 are deposited into the General Fund.

The 2001 General Assembly made two significant changes to the RIIF for FY 2002. The first change was a one-time shift of the Cash Reserve Fund and the Economic Emergency Fund interest to the General Fund. The interest is estimated to be \$31.1 million in FY 2002.

The second change involves the transfer of \$80.0 million from the Wagering Tax revenues to the Tobacco Settlement Trust Fund. These revenues would otherwise have been deposited into the RIIF. The shifting of the \$80.0 million reduces the RIIF appropriations for infrastructure projects; however, projects that otherwise would have been funded from the RIIF are being funded from the bond proceeds deposited into the Restricted Account of the Tobacco Settlement Trust Fund.

The total appropriations for FY 2002 infrastructure projects total \$161.3 million. This includes \$107.6 million from the Tobacco Settlement Trust Fund and \$53.7 million from the RIIF. Included in the RIIF appropriations is \$35.0 million for the Environment First Fund and the \$13.0 million for the Pooled Technology Account.

**INFRASTRUCTURE FUNDING APPROPRIATIONS
(\$ in millions)**

	RIIF FY 2002	Tobacco FY 2002
Appropriations		
Environment First Fund	\$ 35.0	\$ 0.0
Iowa Communications Network	0.0	3.5
Department of Information Technology	13.0	0.0
Department of Education	0.5	2.4
Department of Corrections	0.0	7.2
Department of Cultural Affairs	1.2	0.0
Department of Economic Development	1.0	15.0
Department of General Services	3.0	31.2
State Fair Authority	0.0	0.5
Judicial Branch	0.0	10.3
Department of Public Defense	0.0	1.1
Department of Public Safety	0.0	0.2
Board of Regents	0.0	29.1
Department of Transportation	0.0	2.5
Department of Natural Resources	0.0	3.5
County Fairs	0.0	1.1
Total	\$ 53.7	\$ 107.6

RIIF = Rebuild Iowa Infrastructure Fund

Note:

Totals may not add due to rounding.

SALARY ADJUSTMENT

Salary adjustment is an increase allocated to each department's personnel services budget to provide funding for such things as Cost of Living Adjustments (COLA), changes in the cost of health insurance premiums, salary annualization, and merit step increases that will take place sometime during the upcoming fiscal year.

For FY 2002, \$61.3 million was appropriated to the Department of Management for the General Fund share of salary adjustments. In addition, \$18.0 million of unallocated Underground Storage Tank Funds were appropriated to offset the General Fund salary cost. The Department of Management will allocate the funds to State agencies by July 1.

Salary annualization provides departments with funds to pay for merit step increases that were not provided for in the prior year's Salary Adjustment Bill. For example, if an employee received a merit step increase in March 2001, an amount sufficient to pay the merit step increase for three months during FY 2001 would have been provided for in the FY 2001 Salary Adjustment Bill. Salary annualization would be included in the FY 2002 Salary Adjustment Bill to provide the department with funding for the employee's merit step from July 2001 to March 2002 (nine months).

If all employees had review dates at the beginning of the fiscal year, there would be no salary annualization due to merit step increases. However, if this was the case, the cost of salary adjustment would increase proportionately.

STATE AND LOCAL GOVERNMENT

**ANNUAL COST PER PARTICIPANT
FOR MAJOR STATE PROGRAMS
ESTIMATED FY 2001**

	Number of Participants	Average Annual Cost Per Participant	
		State Aid	Total Gov't.
Corrections			
Prison Inmates ^a	8,265	\$ 22,540	\$ 22,540
Education - Students			
K-12 ^b	494,392	\$ 3,535	\$ 5,305
ISD	146	56,014	56,014
IBSSS	36	126,899	126,899
Community Colleges ^c	54,775	2,694	3,023
Regents - Higher Education ^d	50,766	11,403	11,403
Private Colleges ^e	14,765	3,307	3,307
Human Services			
Foster Care ^f	4,055	\$ 9,626	\$ 21,653
Mental Health Institutions ^g	450	98,818	105,303
State Resource Centers ^g	685	9,254	117,574
Family Investment Program	54,280	655	2,218
Medical Assistance	207,830	1,960	7,943

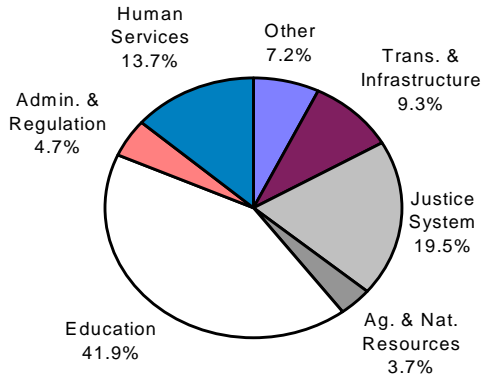
Notes:

- a) Average prison population.
- b) Total government includes all property tax generated by school aid formula but not individual district levies.
- c) Total government includes property tax for operations only. Infrastructure, management, and other levies are not included. Includes technology funding of \$3.0 million.
- d) Includes \$35.0 million estimated for salaries.
- e) Number of participants includes only students who receive tuition grants.
- f) Group Foster Care and Family Foster Care.
- g) Represents capacity rather than participants.

ISD = Iowa School for the Deaf

IBSSS = Iowa Braille and Sight Saving School

**FULL-TIME EQUIVALENT POSITIONS
ESTIMATED FY 2002**



<u>Subcommittee</u>	<u>Estimated FY 2002</u>	<u>Percent of Total</u>
Admin. & Regulation	1,909.5	4.7%
Ag. & Natural Resources	1,514.6	3.7%
Economic Development	1,201.8	2.9%
Education	17,395.0	41.9%
Health & Human Rights	1,516.3	3.7%
Human Services	5,682.5	13.7%
Justice System	8,087.0	19.5%
Oversight & Comm.	271.9	0.6%
Trans. & Infrastructure	3,859.0	9.3%
Total	41,437.6	100.0%

Notes:

- 1) "Other" includes Economic Development, Health and Human Rights, and Oversight and Communications.
- 2) Totals may not add due to rounding.

**COLLECTIVE BARGAINING SETTLEMENTS
FY 2002 - FY 2003**

The values listed in the table below are the cost-of-living adjustments specified by state employee collective bargaining contracts.

	<u>FY 2002</u>	<u>FY 2003</u>
AFSCME	3.00%	3.00%
JUDICIAL AFSCME	3.00%	3.00%
IUP	3.00%	3.00%
SPOC	3.00%	3.00%
UFI	5.60%	5.60%
PPME	3.00%	3.00%
COGS	4.00%	4.00%
SEIU	6.60%	5.98%

Note:

Contracts allow for merit step increases for employees granted merit steps for both FY 2002 and FY 2003. AFSCME and SPOC increased the number of steps in the pay plan and adjusted review dates.

AFSCME = American Federation of State, County, and
Municipal Employees

IUP = Iowa United Professionals

SPOC = State Police Officers Council

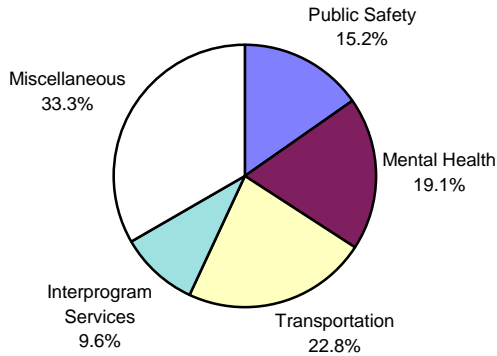
UFI = United Faculty of Iowa

PPME = Public Professional and Maintenance Employees

COGS = Campaign to Organize Graduate Students

SEIU = Service Employees International Union/Tertiary
Health Care Unit, University of Iowa

**BUDGETED COUNTY
EXPENDITURES
FY 2001**



Budgeted County Expenditures	Estimated FY 2001
Public Safety	\$ 233,622,067
Mental Health	295,163,097
Transportation	351,282,465
Interprogram Services	148,710,804
Miscellaneous	
State & Local Gov't. Services	46,110,856
Physical Health Education	71,380,672
Social Services	97,596,792
County Environment	84,424,026
Debt Service	35,005,287
Capital Projects	154,147,699
Court Services	17,870,017
Other	6,666,663
Total	\$ 1,541,980,445

Note:

The FY 2001 ending fund balances for all counties is \$433.9 million.

**GENERAL FUND
FINANCIAL ASSISTANCE TO
LOCAL GOVERNMENTS
(\$ in millions)**

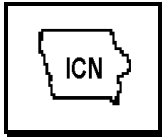
	Actual FY 2000	Est. FY 2001	Est. FY 2002
District School Aid*	\$ 1,857.1	\$ 1,913.9	\$ 1,922.7
Community Empowerment	10.4	15.6	14.7
Community College Aid	141.6	147.6	142.7
Single County Contracts**	11.7	12.1	12.2
Substance Abuse Grants***	9.9	2.2	1.5
Elderly Services	4.4	4.4	3.8
Child & Family Services	107.5	108.8	106.0
Family Investment Program	34.3	35.5	36.2
Community Mental Health/ Mental Retardation Fund	17.6	19.6	19.6
Medical Assistance	415.5	400.7	413.2
Community-based Programs	1.0	0.3	0.5
Peace Officers Retirement Reimbursement	2.9	2.9	2.9
Public Transit Assistance	10.5	11.0	10.3
Aviation Assistance	2.5	2.5	2.2
Fire Fighter Training	0.7	0.7	0.5
Homestead Tax Credit	112.0	113.3	112.9
Agriculture Land Tax Credit	39.1	39.1	39.1
Eldery/Disabled Property Tax Credit	15.0	15.5	16.0
Franchise Tax	8.8	8.8	8.8
Military Tax Credit	2.7	2.7	2.7
Personal Property Tax Replacement	56.3	56.3	56.3
Mental Health	113.1	114.9	104.3
Machinery & Equipment Reimbursement	23.7	41.4	27.8
Livestock Production Credit	2.0	2.0	2.0
Total Assistance	<u>\$ 3,000.3</u>	<u>\$ 3,071.8</u>	<u>\$ 3,058.9</u>
 Total Assistance as a Percent of General Fund Expenditures	 66.0%	 63.0%	 62.5%

* Includes funding from Excellence in Education, Instructional Support Levy, School Improvement/Technology, Early Education Improvement, and On-time funding.

** Single County Contracts include Well Elderly Clinics, Public Health Nursing, and Home Health Aid.

*** For FY 2001, an additional \$11.9 million was appropriated from the Tobacco Settlement Fund and \$2.1 million was allocated from the Gambling Treatment Fund appropriation to the Department of Public Health.

THE IOWA COMMUNICATIONS NETWORK



The Iowa Communications Network (ICN) was created by the 1989 General Assembly as a fiber optic "Highway" capable of carrying all forms of communications traffic, including voice, distance education, telemedicine, government

information and services, and computer network data. Fiber optics converts voice, video, and data signals into digital light impulses which are transmitted over hair-thin glass fibers.

Installation of the Network began in 1991 as a three-part project.

- Part I consists of 20 connection sites. These include 15 regional centers located at each of the community colleges throughout the State, the three Regents Universities, Iowa Public Television, and the State Capitol complex.
- Part II consists of 84 connection sites. These include separate fiber optic lines from the respective regional center to each of the remaining counties. These sites are typically known as County Points of Presence (CPOP or POP).
- Part III currently consists of 408 sites. Additionally, ten more sites are in the final process of coming on the Network. None of these are expected to be operational by June 30, 2001. Ten other sites have operational circuits but have not as yet installed their classrooms for various reasons, such as space or funding limitations.

Parts I and II of the Network were completed at a cost of \$114.5 million which was funded by Certificates of Participation. Parts I and II are typically referred to as the "backbone" of the Network and the connections are owned by the State. Part III connections are constructed by private vendors and most are leased by the State, except for certain sites (approximately 21) owned by the State as the result of a National Guard ICN project. The majority of the Part III sites are K-12 schools.

THE IOWA COMMUNICATIONS NETWORK (Cont'd.)

In FY 2000, the ICN began converting the Network to asynchronous transfer mode (ATM) and MPEG II technology. This will increase capacity of the Network and replace failing optics. As of the end of May 2001, two of the five ATM rings have been completed. These cover the southwest and northwest regions of the State. Work has begun on the southeast ring.

For FY 2002, the appropriations included:

- \$2.2 million from the General Fund to the Iowa Telecommunications and Technology Commission (ITTC) for subsidization of operations related to video services.
- \$16.3 million to the Treasurer of State for debt service. This includes:
 - \$9.9 million from the General Fund.
 - \$1.4 million from unexpended FY 2001 Pooled Technology Account Funds.
 - \$1.5 million from the Tobacco Settlement Fund.
- \$2.0 million from the General Fund to the Department of Education for Part III support services.
- \$2.7 million from the Pooled Technology Account to the Commission. This is payment for maintenance and lease costs of Part III connections. The original leases are for a seven-year period. Leases will be renegotiated as they expire.
- \$3.5 million from the Tobacco Settlement Fund to continue the ATM conversion.

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

THE IOWA COMMUNICATIONS NETWORK (Cont'd.)

ICN Classroom Sites as of April 2001:

17	Area Education Agencies
99	Community Colleges
391	K-12 School Districts
9	Other Education
50	Libraries
12	Medical Facilities
19	Private Colleges
32	Regent Institutions
57	National Guard
53	State Agencies
16	Federal Agencies
<u>4</u>	Miscellaneous Sites
<u>759</u>	Total

**IOWA COMMUNICATIONS NETWORK
FY 2000 - FY 2002 APPROPRIATIONS**

<u>FY 2000</u>	<u>General Fund</u>	<u>Infrastructure Fund</u>
Part III Support - DOE	\$ 2,327,217	
ICN Rate Subsidization	3,435,000	
Debt Service	12,861,000	
Part III Connections - Maintenance and Leases		\$ 2,681,685
Totals	<u>\$ 18,623,217</u>	<u>\$ 2,681,685</u>

<u>Projected FY 2001</u>	<u>General Fund</u>	<u>Infrastructure Fund</u>
Part III Support - DOE	\$ 2,170,595	
ICN Rate Subsidization	3,181,920	
Debt Service	12,860,000	
Part III Connections - Maintenance and Leases		2,727,004
Totals	<u>\$ 18,212,515</u>	<u>\$ 2,727,004</u>

<u>Projected FY 2002</u>	<u>General Fund</u>	<u>Pooled Tech. Account or Tobacco Fund</u>
Part III Support - DOE	\$ 2,026,808	
ICN Rate Subsidization	2,234,330	
Debt Service	9,939,165	
Debt Service - Pooled FY 2001		\$ 1,400,000
Debt Service - Tobacco Fund		1,465,835
Part III Connections - Maintenance and Leases		2,727,000
Totals	<u>\$ 14,200,303</u>	<u>\$ 5,592,835</u>

DOE = Department of Education

ICN = Iowa Communications Network

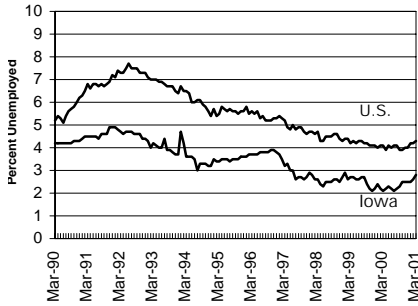
IOWA ECONOMY

ECONOMIC SUMMARY

Iowa's economy has experienced six years of solid growth, however, there are some indications for concern.

The statewide unemployment rate in March 2001 was 2.8%. This is the highest level measured since January 1999, when the rate was 2.9%. The Iowa

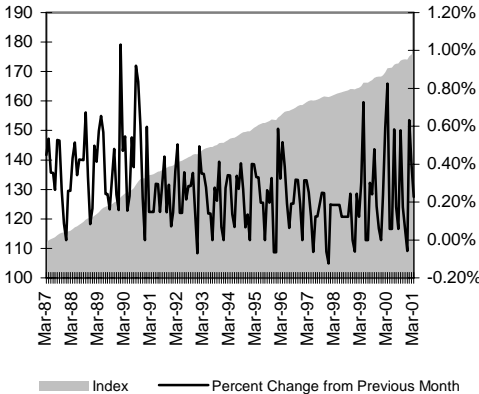
Unemployment Rate - Iowa v. U. S.



unemployment rate still remains 1.5 percentage points lower than the national rate of 4.3% in March 2001. Total employment in Iowa was 1,537,000 in March 2001, which is an increase of 11,600 compared to March 2000. Most of the growth in the previous year in nonfarm employment has taken place in services and retail trade, along with transportation and finance.

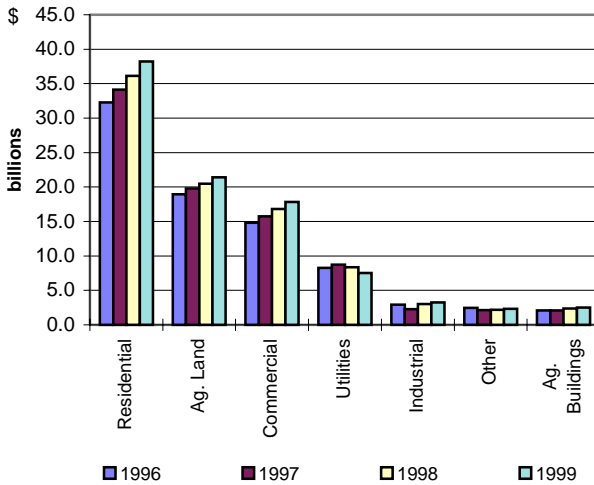
The aggregate personal income in Iowa increased by 3.4% in 2000, compared to a 6.5% increase in 1999. However, farm income decreased by 42.8% in 2000.

CPI and Percentage Change

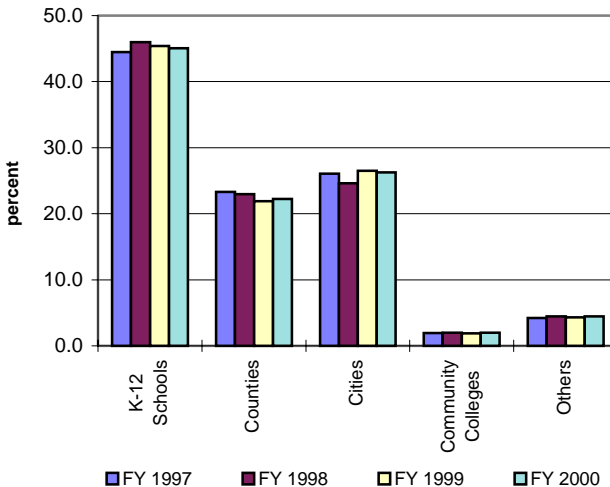


Inflation continued to increase at a moderate rate. Consumer prices increased by 2.9% for the March 2000 to March 2001 period.

DISTRIBUTION OF NET TAXABLE VALUATION BY CLASS OF PROPERTY*



PERCENTAGE DISTRIBUTION OF PROPERTY TAXES BY TAXING AUTHORITY



*Class of property information is based on an assessment year.

Note:

Between FY 1992 and FY 1999, net taxable valuation in the State increased from \$74.0 billion to \$88.0 billion.

EDUCATION

PAYING FOR PUBLIC EDUCATION THE IOWA SCHOOL FOUNDATION FORMULA



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

In the 1995 Session, the determination of allowable growth was changed again. The General Assembly is required to set allowable growth two years in advance within 30 days of the submission of the Governor's budget.

In FY 2001, the School Foundation Formula required \$1.747 billion in State aid and \$923.1 million in property taxes for a total budget for local school districts of \$2.670 billion. This budget was generated based on a student enrollment of 498,607. The special education weightings equaled 63,725 students.

The School Foundation Formula is based upon basic enrollment, a school district's regular program cost per pupil, State aid determined by a foundation level, and an amount generated by the uniform property tax levy. The allowable growth rate is 4.0% for FY 2001, FY 2002, and FY 2003.

**PAYING FOR PUBLIC EDUCATION
THE IOWA SCHOOL FOUNDATION FORMULA
(Cont'd.)**

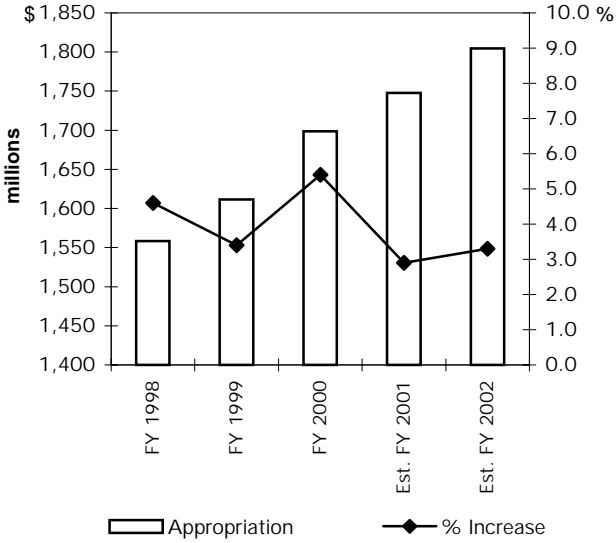
Other funding sources available to school districts on an optional basis in the general education fund area include drop out prevention programs, School Budget Review Committee authorizations, instructional support levy, cash reserve levy, management levy, and enrichment levy.

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

The 2001 General Assembly made changes to the School Foundation Formula that could begin as early as FY 2003 with the passage of SF 203. Senate File 203 provides incentives for school reorganization that could begin as early as FY 2003. The estimated fiscal impact of this Act is unknown at the present time. The Act also provides incentives for regional academies starting as early as FY 2003. Both of these initiatives provide extra weighting in the School Foundation Formula.

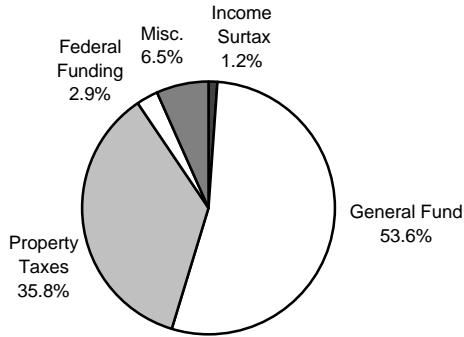
The 2001 General Assembly also reduced the amount of funding that area education agencies (AEAs) were estimated to receive by \$7.5 million in FY 2002. House File 755 (Standing Appropriations Bill) reduced the allocation to the AEAs for the Special Education Services Program but allows that funding from the AEAs Media Services Program and the AEAs Educational Services Program be used to maintain the level required for the Special Education Support Services Program.

**GENERAL FUND APPROPRIATIONS
FOR K-12 STATE AID
FY 1998 - ESTIMATED FY 2002**



	<u>Appropriations</u>	<u>Increase</u>	<u>Percent Increase</u>
FY 1994	\$ 1,231,666,312	\$ 53,208,401	4.5%
FY 1995	1,266,219,943	34,553,631	2.8%
FY 1996	1,330,908,172	64,688,229	5.1%
FY 1997	1,489,170,713	158,262,541	11.9%
FY 1998	1,558,251,824	69,081,111	4.6%
FY 1999	1,611,592,518	53,340,694	3.4%
FY 2000	1,698,459,679	86,867,161	5.4%
Est. FY 2001	1,747,274,983	48,815,304	2.9%
Est. FY 2002	1,804,474,539	57,199,556	3.3%
Percentage increase FY 1997 - estimated FY 2002			21.2%
Five-year average annual increase			4.2%

K-12 SCHOOL DISTRICTS' REVENUE
Estimated FY 2001
(\$ in millions)



	Amount	Percent of Total
General Fund	\$ 1,893.0	53.6%
Property Taxes	1,263.1	35.8%
Federal Funding	104.0	2.9%
Income Surtax	41.4	1.2%
Miscellaneous	230.7	6.5%
Total	\$ 3,532.2	100.0%

Note:

Approximately 79.0% of the revenue for K-12 school districts is derived through the basic funding formula.

**K-12 SOURCE OF FUNDS
ESTIMATED FY 2001 BUDGET DETAIL
(\$ in millions)**

<u>Source of Funds</u>	<u>Amount</u>	<u>Percent</u>	<u># of Districts</u>
Combined District Cost			
Regular Program	\$ 2,175.7	61.6%	374
Guarantee Amount	6.2	0.2%	106
Supplementary Weights	21.9	0.6%	374
Special Education	278.1	7.9%	374
AEA Media	19.2	0.5%	374
AEA Education Services	21.2	0.6%	374
AEA Special Education	106.2	3.0%	374
Dropout SBRC	40.5	1.1%	216
Other SBRC	0.7	0.0%	6
Enrollment Adjustment	0.7	0.0%	14
Total Combined District Cost	<u>\$ 2,670.4</u>	<u>75.6%</u>	
Other Taxes and Misc. Income			
Instructional Support	\$ 109.7	3.1%	285
Educational Improvement	0.4	0.0%	4
Physical Plant and Equipment			
Board Approved	31.6	0.9%	367
Physical Plant and Equipment			
Vote Approved	54.3	1.5%	254
School House Levy	0.7	0.0%	5
Management Levy	47.0	1.3%	361
Ed. and Rec. (Playground)	1.6	0.0%	19
Bonds/Debt Service	99.4	2.8%	223
Miscellaneous - Estimated*	517.1	14.6%	374
Total Other Taxes	<u>\$ 861.8</u>	<u>24.4%</u>	
Total Budget	<u>\$ 3,532.3</u>	100.0%	

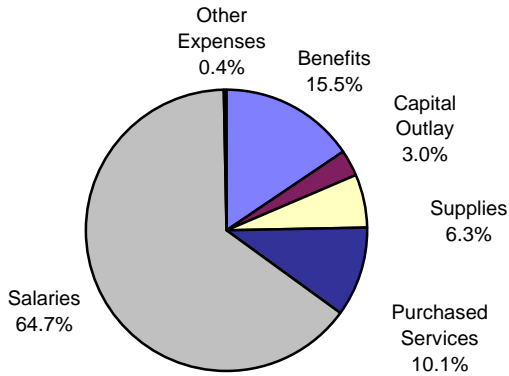
*Miscellaneous income amounts are subject to change in 2000-2001.

Note:

Totals may not add due to rounding.

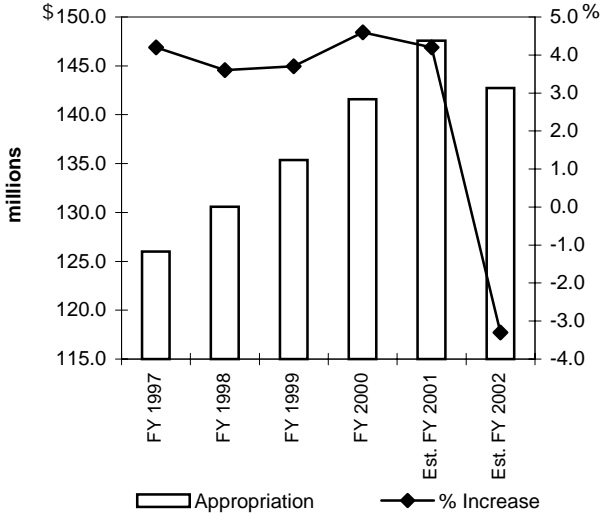
AEA = Area Education Agency
 GAT = Gifted and Talented
 SBRC = School Budget Review Committee
 NA = Not Available

**AVERAGE EXPENSES OF AN IOWA SCHOOL
SCHOOL YEAR 1998 - 1999**



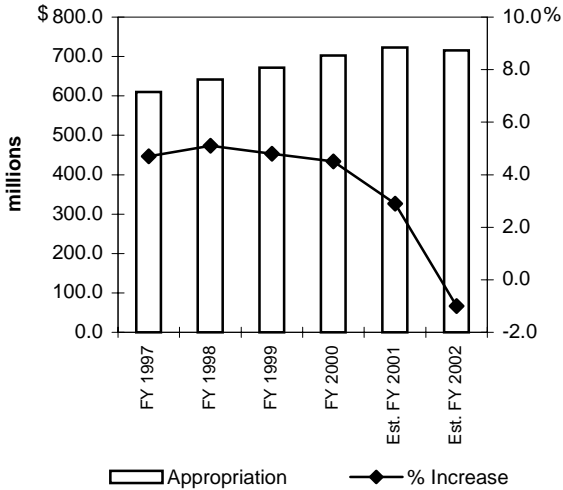
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- From FY 1986 to FY 1999, expenditures for salaries decreased by 3.4 percentage points and expenditures for benefits increased 2.6 percentage points as a percentage of total operating fund expenditures.
 - Statewide average administrative expenditures for FY 1999 are 9.6% of total operating fund expenditures. This is a decrease from 10.2% in FY 1986.

**GENERAL FUND APPROPRIATIONS
FOR COMMUNITY COLLEGES
FY 1997 - FY 2002**



	<u>Appropriations</u>	<u>Increase</u>	<u>Percent Increase</u>
FY 1997	\$ 126,006,270	\$ 5,135,000	4.2%
FY 1998	130,582,051	4,575,781	3.6%
FY 1999	135,366,156	4,784,105	3.7%
FY 2000	141,577,403	6,211,247	4.6%
Est. FY 2001	147,577,403	6,000,000	4.2%
Est. FY 2002	142,722,759	- 4,854,644	- 3.3%
Percentage increase FY 1997 - estimated FY 2002			13.3%
Five-year average annual increase			2.7%

**GENERAL FUND APPROPRIATIONS
FOR REGENTS INSTITUTIONS
FY 1997 - FY 2002**



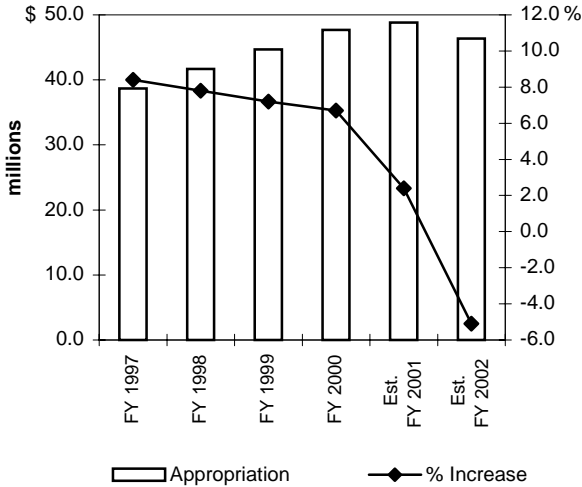
	<u>Appropriations</u>	<u>Increase</u>	<u>Percent Increase</u>
FY 1997	\$ 610,188,195	\$ 27,527,330	4.7%
FY 1998	641,289,390	31,101,195	5.1%
FY 1999	671,948,128	30,658,738	4.8%
FY 2000	702,456,884	30,508,756	4.5%
Est. FY 2001	722,953,183	20,496,299	2.9%
Est. FY 2002*	715,805,806	- 7,147,377	- 1.0%
Percentage increase FY 1997 - estimated FY 2002			17.3%
Five-year average annual increase			3.5%

*Fiscal Year 2002 includes an estimated \$35.0 million for salaries.

Note:

Includes appropriations made by the Economic Development Subcommittee.

**GENERAL FUND APPROPRIATIONS
FOR TUITION GRANTS
FY 1997 - FY 2002**



	<u>Appropriations</u>	<u>Increase</u>	<u>Percent Increase</u>
FY 1997	\$ 38,664,750	\$ 3,000,000	8.4%
FY 1998	41,664,750	3,000,000	7.8%
FY 1999	44,664,750	3,000,000	7.2%
FY 2000	47,664,750	3,000,000	6.7%
Est. FY 2001	48,830,075	1,165,325	2.4%
Est. FY 2002	46,350,271	- 2,479,804	- 5.1%
Percentage increase FY 1997 - estimated FY 2002			19.9%
Five-year average annual increase			4.0%

**REGENTS ENROLLMENTS AND TUITION DATA
HISTORICAL COMPARISON**

	Total Enrollments		
	<u>FY 1996</u>	<u>FY 2001</u>	<u>% Change</u>
SUI	27,597	28,311	2.6%
ISU	24,673	26,845	8.8%
UNI	12,886	13,774	6.9%
Total	<u>65,156</u>	<u>68,930</u>	5.8%

	Annual Undergraduate Resident Base Tuition		
	<u>FY 1996</u>	<u>FY 2001</u>	<u>% Change</u>
SUI	\$ 2,386	\$ 2,906	21.8%
ISU	2,386	2,906	21.8%
UNI	2,386	2,906	21.8%

	Annual Undergraduate Nonresident Base Tuition		
	<u>FY 1996</u>	<u>FY 2001</u>	<u>% Change</u>
SUI	\$ 8,636	\$ 10,668	23.5%
ISU	8,004	9,748	21.8%
UNI	6,462	7,870	21.8%

SUI = University of Iowa

ISU = Iowa State University

UNI = University of Northern Iowa

- Between FY 2000 and FY 2010, the University of Iowa enrollment is projected to increase by 0.1%.
- Between FY 2000 and FY 2010, Iowa State University enrollment is projected to increase by 1.9%.
- Between FY 2000 and 2010, the University of Northern Iowa enrollment is projected to increase by 2.0%.

HUMAN SERVICES

**DEPARTMENT OF HUMAN SERVICES
PROGRAMS**

The Department of Human Services is projected to spend \$2.646 billion combined for all programs, including Medical Assistance, the Family Investment Program, and the Food Stamp Program during FY 2002 (all funding sources). Federal funding is projected to account for \$1.580 billion, or 59.7% of these expenditures. State funding is \$779.5 million, or 29.5%. The Medical Assistance Program is projected to serve a total of 208,000 individuals during FY 2002. The Family Investment Program is projected to serve an average of 54,000 individuals each month. The Food Stamp Program is projected to serve an average of 125,000 individuals each month during FY 2002.

The Family Investment Program (FIP) provides direct cash grant assistance to needy families in which the children are deprived of parental care or support due to absence, death, incapacity, or unemployment of one or both parents. In FY 1997, the federal government began to block grant \$131.5 million to Iowa annually from the Temporary Assistance for Needy Families (TANF) Block Grant. Revenues from child support recoveries also finance the Program. The Program was created in FY 1994 as part of a welfare reform effort that changed the structure and benefits of the previous Aid to Families with Dependent Children (AFDC) Program in order to reduce economic disincentives to employment.

The Food Stamp Program is a federally funded program administered by the U.S. Department of Agriculture which has the goal of preventing hunger and malnutrition. Recipients of the Family Investment Program are automatically eligible for food stamps. Individuals or families may also qualify for food stamps without receiving Family Investment Program benefits.

The Child Support Recovery Unit is responsible for collecting child support for families receiving FIP benefits and other families requesting assistance. Other activities include establishing paternity and child and medical support orders, locating absent parents, and reviewing and adjusting support orders upon the request of either parent.

**DEPARTMENT OF HUMAN SERVICES
PROGRAMS (Cont'd.)**

The Medical Assistance Program pays for low-income aged, blind, and disabled citizens, residents of institutions, and other low-income lowans who meet certain criteria. Federal law requires coverage of specified services and eligibility groups. In addition, the State of Iowa is currently covering most of the optional services and eligibility groups for which federal matching funds are available.

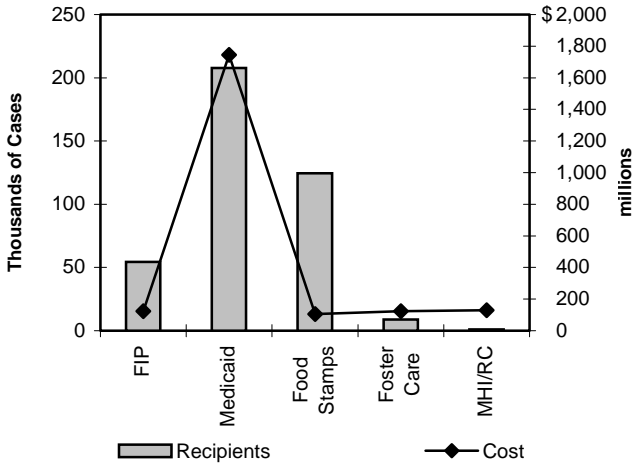
The State Children's Health Insurance Program began in FY 1999, including an expansion of Medical Assistance eligibility for children to 133.0% of the federal poverty level and coverage up to 185.0% of the federal poverty level in the Healthy and Well Kids in Iowa (HAWK-I) using private insurance coverage. The Tobacco Fund Appropriations Act for FY 2001 (HF 2555) expanded income eligibility guidelines to 200.0% of the FPL.

The Foster Care Program provides 24-hour temporary care for children unable to remain in their own homes, while offering services to families and children in order to implement plans for permanent placement.

There are four Mental Health Institutes for the mentally ill, located at Clarinda, Independence, Mt. Pleasant, and Cherokee. These Institutes provide a range of psychiatric and substance abuse services in an inpatient residential setting for those cases that community based services cannot handle. The Institutes also provide limited outpatient services. Two of the Institutes, Clarinda and Mt. Pleasant, share campuses and selected support resources with adult correctional facilities operated by the Department of Corrections.

There are two Resource Centers which provide for the mentally retarded, located at Glenwood and Woodward. These Resource Centers provide diagnostic evaluation, treatment, training, care, rehabilitation, and support of mentally retarded persons. The Resource Centers also serve as the locations for various entities within the respective geographic areas which provide a wide variety of services to the area.

**DEPARTMENT OF HUMAN SERVICES
FY 2002 MAJOR PROGRAMS**



	Average Monthly Recipients Per Program	Total Program Cost
FIP	54,280	\$ 122,648,641
Medicaid	207,830	1,744,059,232
Food Stamps	124,609	105,324,435
Foster Care*	8,893	123,984,170
MHI/RC**	1,121	130,060,146

* Foster Care includes group foster care, foster family care, and subsidized adoptions.

** Based on Average Daily Census.

Note:

The number of recipients per program may be overestimated. Recipients may participate in more than one program causing the number of cases shown here to be inflated.

FIP = Family Investment Program

MHI/RC = Mental Health Institutes/Resource Centers

TOTAL MEDICAL ASSISTANCE SPENDING
FY 2000 - FY 2002
(\$ in millions)

Category	Actual FY 2000	Est. FY 2001	Est. FY 2002
Inpatient*	\$ 186.4	\$ 201.5	\$ 187.3
Outpatient*	70.0	77.7	81.8
Skilled Nursing Facility*	21.3	25.1	NA
NF-Excluding MR*	330.8	341.1	382.5
NF-MR	188.8	194.7	200.3
Physicians Services*	63.9	72.1	83.3
Lab & X-ray Services*	1.7	1.6	1.6
Ambulance Services	1.4	1.3	1.4
Prescribed Drugs	188.9	220.1	250.9
HMO*	72.8	88.4	87.5
Medical Supplies	23.3	23.5	26.6
Dental Services	17.5	26.3	26.4
Optometric Services	3.7	4.0	3.5
Iowa Plan*	62.1	68.6	67.6
Waiver Services**	103.0	120.5	167.4
Other	151.0	187.3	196.7
Total	\$ 1,486.6	\$ 1,653.8	\$ 1,764.8

* Mandatory Services.

** Waiver Services - Mentally ill and handicapped waiver, AIDS waiver, brain injury waiver, mentally retarded waiver, elderly waiver, physical disabilities waiver, and home health.

Note:

Dollars include federal, State, and county dollars.

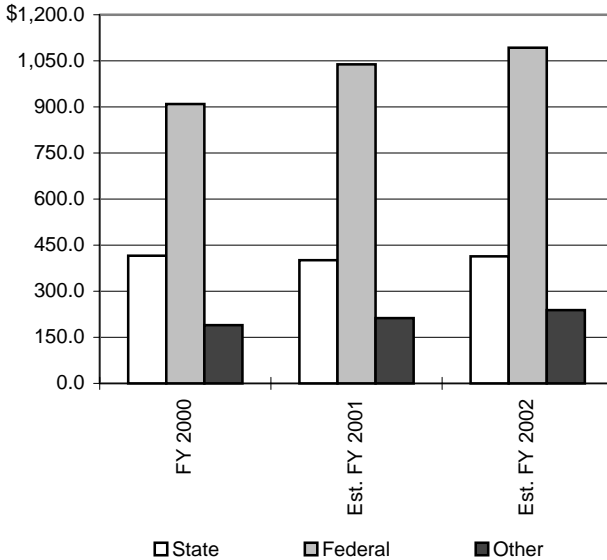
AIDS = Acquired Immune Deficiency Syndrome

NF = Nursing Facility

HMO = Health Maintenance Organization

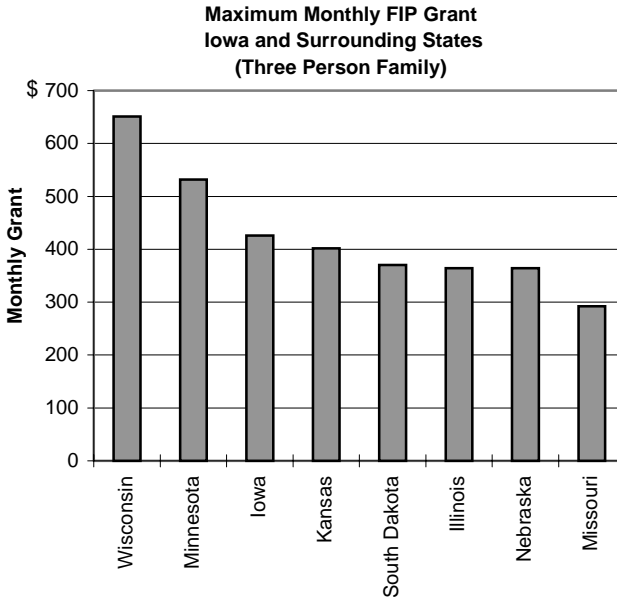
MR = Mentally Retarded

**TOTAL MEDICAL ASSISTANCE SPENDING (Cont'd.)
FY 2000 - FY 2002
(\$ in millions)**



- General Fund spending for the Medical Assistance Program is projected to increase by 3.1% for FY 2002 compared to the estimated FY 2001 level. Federal spending is projected to increase by 14.2% for FY 2002 compared to the estimated FY 2001 level.
- The federal government matches State spending of 37.2% with 62.8% of federal spending for FY 2002.

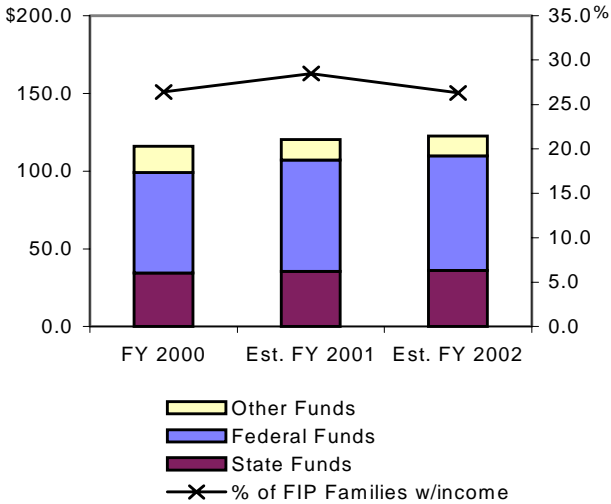
**FAMILY INVESTMENT PROGRAM CASH ASSISTANCE
GRANT - BY STATE
FY 2000**



FIP = Family Investment Program

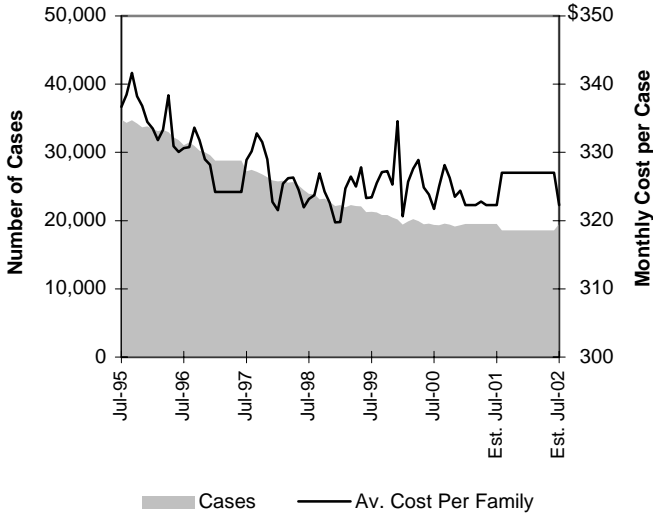
- Iowa's Family Investment Program (FIP) monthly benefit for a family of three is slightly above the average maximum benefit for surrounding states (\$425 per month average, \$426 per month for Iowa).
- Family Investment Program recipients are also eligible for Food Stamp benefits, which decline as the FIP grant increases.
- Benefits for the Iowa Family Investment Program have remained unchanged since 1990.

**TOTAL FAMILY INVESTMENT PROGRAM SPENDING
FY 2000 THROUGH FY 2002
(\$ in millions)**



- Total spending on the Family Investment Program is anticipated to increase from \$120.4 million in FY 2001 to \$122.6 million in FY 2002, an increase of \$2.2 million (1.8%). Funding for the Family Investment Program changed in FY 1997 from a matching program where the federal government contributed on a percentage basis to a fixed federal block grant amount each year.

FAMILY INVESTMENT PROGRAM CASELOAD AND COST PER CASE



- Total caseload for the Family Investment Program has declined from a high of 40,659 in April 1994 to an estimated FY 2002 caseload of 18,590. This is a decrease of 22,069 cases (54.3%).
- Cost per case has declined from a high of \$377.27 per month in September 1991 to an estimated FY 2002 cost per case of \$327.00. This is a decrease of \$50.27 per month (13.3%).

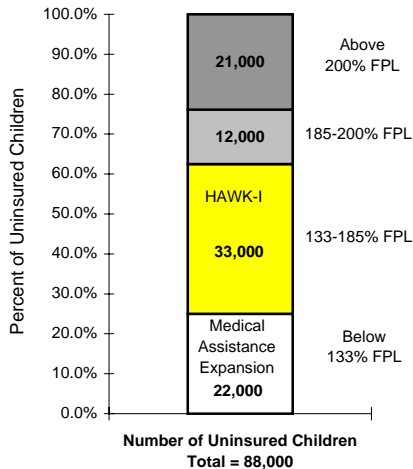
CHILDREN'S HEALTH INSURANCE (CHIP) PROGRAM

Congress enacted the Children's Health Insurance Program, with federal funds available on October 1, 1997, to provide insurance for children in families with incomes up to 200.0% of the federal poverty level (FPL).

The Human Services Appropriations Act for FY 2001 (SF 2435) appropriates \$5.0 million in General Funds and \$6.0 million from the Healthy and Well Kids in Iowa (HAWK-I) Trust Fund to provide Iowa's match for \$31.1 million in federal funds. The Act provides Medicaid coverage to children in families up to 133.0% of the FPL. The Human Services Appropriations Act for FY 2002 (HF 732) appropriates \$8.4 million in General Funds and \$4.3 million from the HAWK-I Trust Fund to provide Iowa's match for \$37.1 million in federal funds.

The HAWK-I Program was enacted in 1998, establishing a private insurance program for children in families with incomes between 133.0% and 185.0% of the FPL. The Program was implemented January 1, 1999, through a managed care plan offered in 16 counties. The Program was expanded statewide through an indemnity plan on March 1, 1999. The Tobacco Fund Appropriations Act for FY 2002 (SF 537) continues to expand income eligibility guidelines to 200.0% of the FPL.

The Bureau of Census estimates 88,000 total uninsured children in the State. Of these, approximately 55,000 will be covered through the Children's Health Insurance Program. The DHS estimates 30,000 children will be served through the Program by the end of FY 2002.



CRIME/ENFORCEMENT

PRISONS/CORRECTIONS

Iowa began expanding the 3,603-bed Prison System in FY 1995. The table on the next page details the prison expansion. Each 750-bed medium-security prison costs approximately \$45.0 million to construct and \$25.0 million per year to operate.

During the 1997 Session, the General Assembly approved a 232-bed expansion at the Mitchellville women's prison. During the 1998 Session, the General Assembly approved a 200-bed special needs maximum-security cellhouse at Ft. Madison, the conversion of 100 Department of Human Services beds at Mt. Pleasant to special needs women's prison beds, and two 200-bed cellhouses at Ft. Dodge. During the 1999 Session, the General Assembly approved a 170-bed expansion to the Oakdale institution to treat offenders requiring continued medical and mental health care. In addition to the new construction, the Department of Corrections has modified its calculation of design capacity. Given these changes and construction, the Prison System will have a total capacity of 7,653 beds upon completion.

The Iowa prison population continued to increase during FY 2001, and reached a record high count of 8,089 inmates in April 2001. The Criminal and Juvenile Justice Planning Division has projected that the inmate population will grow to 12,400 inmates by the end of 2010, given current correctional policies and practices.

With the addition of the new prison beds, modification of the design capacity calculation, and the increase in the inmate population, overcrowding was 111.0% at the end of April 2001. The prison population is projected to increase to 9,897 by the end of FY 2004, which, with the addition of the approved prison beds, will be 129.3% of total capacity. By the end of FY 2010, the prison population is projected to increase to 12,400 inmates, which will be 162.0% of capacity.

PRISONS/CORRECTIONS (Cont'd.)

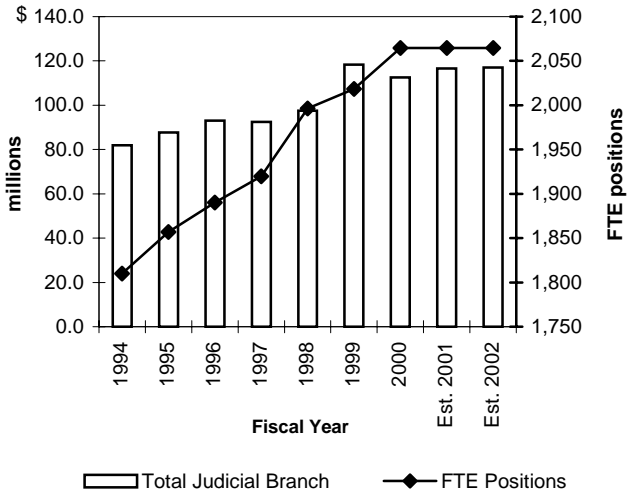
Prison Expansion FY 1995 - FY 2004

<u>Location</u>	<u>No. of Beds</u>	<u>Opening Date</u>
Clarinda	750 *	April 1996
Newton	750	July 1997
Ft. Dodge	750	April 1998
Mt. Pleasant	100 **	April 1999
Mitchellville	232	April 2000
Ft. Dodge	400	February 2000
Ft. Madison	200	August 2002
Oakdale	170	July 2004

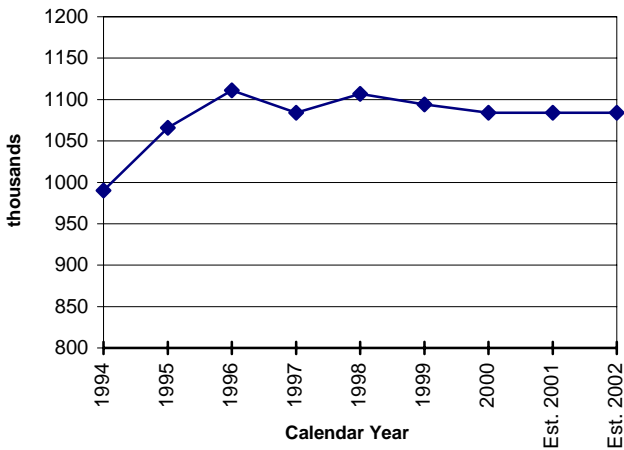
* Replaced the 152-bed facility.

** Conversion of Department of Human Services beds to special needs women's prison beds.

**JUDICIAL BRANCH
APPROPRIATIONS AND FTE POSITIONS
FY 1994 - FY 2002**



**COURT CASE FILINGS
CY 1994 - CY 2002**

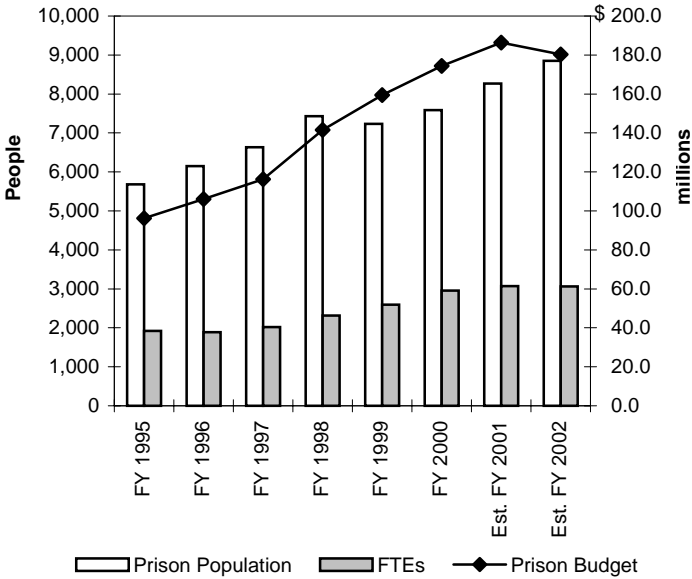


Note:

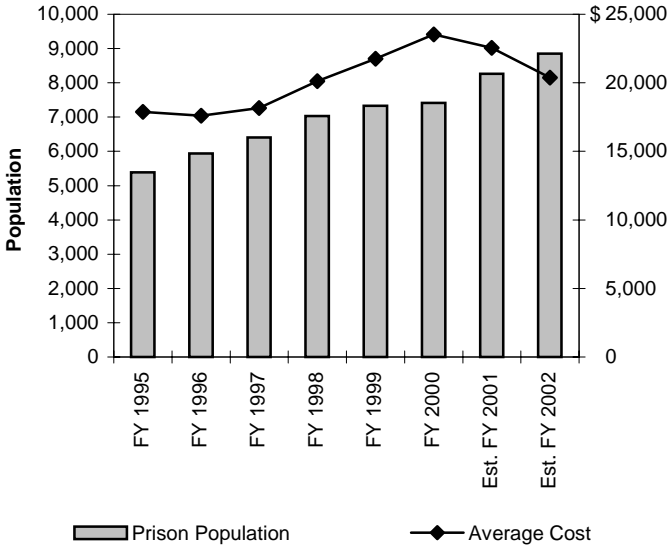
Major annual court filings have increased 9.4% from CY 1994 to CY 2000.

CY = Calendar Year

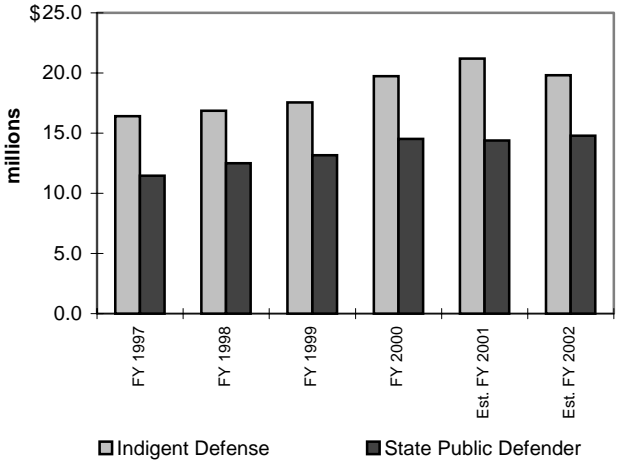
YEAR-END PRISON POPULATION, STAFFING, AND BUDGET



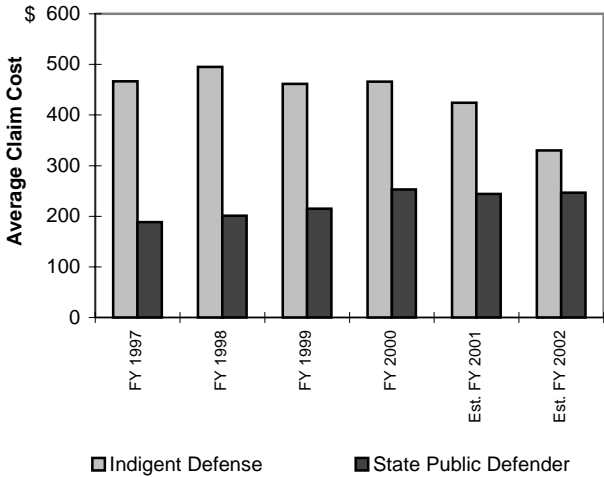
AVERAGE PRISON POPULATION AND AVERAGE COST PER PRISONER



**INDIGENT DEFENSE AND STATE PUBLIC DEFENDER EXPENDITURES
FY 1997 - FY 2002**



**INDIGENT DEFENSE AND STATE PUBLIC DEFENDER COSTS PER CLAIM
FY 1997 - FY 2002**

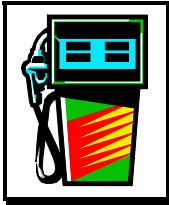


Note:

Costs for juvenile cases are included for the State Public Defender and for Indigent Defense.

TRANSPORTATION

ROAD USE TAX FUND



The Road Use Tax Fund is comprised of revenue sources which include taxes on fuels; fees collected on vehicle registrations, titles, and driver licenses; and use tax collected on motor vehicle purchases and related equipment.

Except for administrative costs, all vehicle registration fees, license fees, and motor vehicle fuel taxes are constitutionally mandated to be spent exclusively for the construction, maintenance, and supervision of the State's public highways (Section 8, Article VII, Constitution of the State of Iowa). However, the use tax on motor vehicles and equipment is exempt from the constitutional mandate.

All revenues deposited into the Road Use Tax Fund are distributed by formula to the Primary, Secondary, Farm-to-Market, and Municipal Roads Funds which are used by State and local jurisdictions for the construction and maintenance of roads. However, before the revenues are distributed through the formula, various allocations and appropriations are made from the Fund for programs, equipment purchases, and department operations. These expenditures are referred to as "off-the-top" allocations. The five largest "off-the-top" allocations are listed below. The figures for FY 2001 and FY 2002 are estimated.

- Revitalize Iowa's Sound Economy (RISE) - An amount equal to one and 11/20 cents per gallon of motor fuel is allocated for RISE projects. The FY 2001 RISE funds are distributed as follows: 20/31 (\$21.4 million) to the State Primary Road Fund, 10/31 (\$10.7 million) for city projects, and 1/31 (\$1.1 million) for county projects. The total amounts distributed were:

FY 2000 - \$32.9 million

FY 2001 - \$33.2 million

FY 2002 - \$33.9 million

ROAD USE TAX FUND (Cont'd.)

- Department of Transportation (DOT) - Annual appropriation for the operation of the DOT's operating divisions.
 - FY 2000 - \$34.8 million
 - FY 2001 - \$36.7 million
 - FY 2002 - \$36.4 million

- Primary Road Fund Off-the-Top - A standing appropriation allocated directly to the Primary Road Fund to cover inequities identified when the Road Use Tax Fund formula was revised in 1991 and to compensate for increased highway wear associated with higher truck weight limits.
 - FY 2000 - \$11.5 million
 - FY 2001 - \$11.5 million
 - FY 2002 - \$11.5 million

- Secondary Road Fund Off-the-Top - This allocation is credited directly to the Secondary Road Fund and is based on an amount equal to 9/20 cents per gallon of fuel.
 - FY 2000 - \$9.6 million
 - FY 2001 - \$9.6 million
 - FY 2002 - \$9.8 million

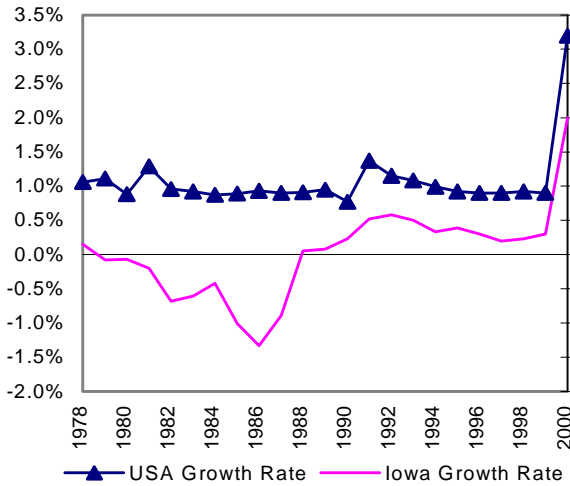
- Public Transit Assistance - A standing appropriation equal to 1/20 of 80.0% of the total Use Tax collections on the sale of motor vehicles.
 - FY 2000 - \$ 9.7 million
 - FY 2001 - \$11.0 million
 - FY 2002 - \$11.4 million

ROAD USE TAX FUND (Cont'd.)
(\$ in millions)

	Actual FY 2000	Estimated FY 2001	Estimated FY 2002
Revenues			
Fuel Tax	\$ 402.1	\$ 419.6	\$ 427.9
Registration Fees	331.4	341.2	353.7
Use Tax	214.9	229.2	238.6
Underground Tank Fees	19.6	20.2	20.2
Driver's License Fees	14.4	11.7	7.9
Interest	12.7	13.6	13.6
Other	6.7	8.4	10.7
Total	<u><u>\$1,001.8</u></u>	<u><u>\$1,043.9</u></u>	<u><u>\$ 1,072.6</u></u>
Allocations			
Primary Road Fund	\$ 418.4	\$ 438.7	\$ 451.6
Secondary Road Fund	215.8	226.3	232.9
Farm-to-Market Road Fund	70.5	73.9	76.1
Municipal Road Fund	176.2	184.7	190.1
Statutory Allocations	85.5	87.3	88.9
Appropriations	35.5	33.1	33.1
Total	<u><u>\$1,001.9</u></u>	<u><u>\$1,044.0</u></u>	<u><u>\$ 1,072.7</u></u>

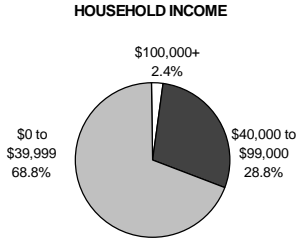
STATE PROFILE

IOWA'S POPULATION GROWTH RATE COMPARED TO NATIONAL RATE



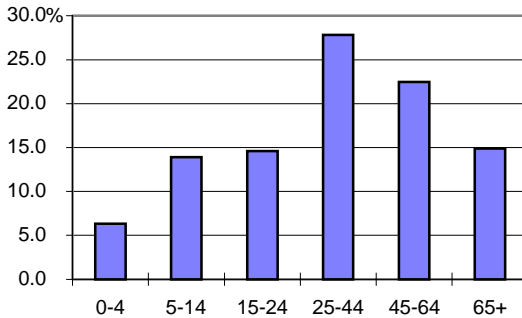
- Iowa's rate of population growth has been historically below the national average. Between the years 1979 and 1988, Iowa experienced a negative growth rate while the national average was fairly constant at 1.0%.
- Iowa's nine-year negative population growth rate has since been followed by eleven years of positive growth beginning near the end of Iowa's recession. The eleven years of positive growth have accompanied Iowa's economic recovery.
- Iowa's growth rate has not surpassed the national average for at least 20 years. Iowa's largest annual decline was in 1986, with a 1.33% decline in population.
- Iowa's current population estimate is 2,926,324.

IOWA'S POPULATION (most recent available information)



- The average Iowa household has 2.5 members.
- Iowa's median household income is \$38,047; compared to the national median household income of \$39,657.
- Median age of an Iowan is 36.9 years of age.

AGE DISTRIBUTION OF IOWANS



Source: Woods & Poole Economics, Inc.

- Iowa per capita gross wagering on gambling is \$4,789.
- Average 16-year-old Iowan has a life expectancy of 79.2 years.
 - Marriage rate was 7.7 per 1,000 population compared to the national average of 8.6.
 - Divorce rate was 3.4 per 1,000 population compared to the national average of 4.1.
 - The percentage of births to unmarried women was 27.5% compared to the national average of 33.0%.

IOWA'S POPULATION (Cont'd.)

- The infant death rate per 1,000 live births was 5.7 compared to the national average of 7.1.
- The national average for persons covered by health insurance is 84.5% compared to 91.7% of Iowans.
- A high school diploma has been achieved by 87.7% of Iowans.
 - Iowans 25 years of age and older having a bachelors degree or more is 21.3%.
 - High school dropout rate was 3.4% compared to the national average of 5.0%.
 - Iowa ranks fifteenth in the country, with 3.9 books in public libraries per capita.
- The Iowa population includes 4.5% receiving food stamps, ranking 43rd in the nation. (The national average includes 6.7% of the population receiving food stamps.)
- Iowa's average Family Investment Program (FIP) monthly payment is \$324 compared to a national average of \$357.
- Iowa ranks 41st in the nation with 3,224 crimes per 100,000 population.
- Iowa had 252 state prisoners per 100,000 population, ranking 40th nationally.
 - The median age for inmates is 32 years old.
 - Men are 92.3% of the inmate population.
 - 69.3% of the inmate population is white, 22.9% is African-American, 5.3% is Hispanic, and 2.5% is other minorities.
- Iowa had 1.6 million in civilian labor force, including 47.7% women.

NON-FARM LABOR CATEGORIES

Construction	4.3%
Finance, Insurance, and Real Estate	5.9%
Government	16.2%
Manufacturing	17.6%
Service	26.7%
Transportation and Public Utilities	5.0%
Wholesale/Retail Trade	24.3%

**Legislative Fiscal Bureau
Capitol Complex
Des Moines, IA 50319
(515) 281-5279**

FAX (515) 281-8451

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